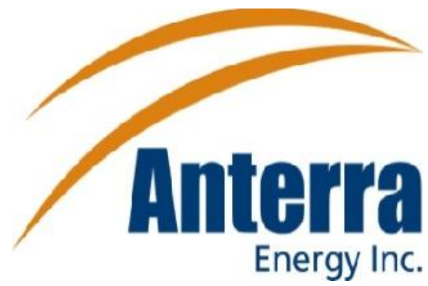

Consolidated Financial Statements

For the years ended December 31, 2013 and 2012

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Anterra Energy Inc.

We have audited the accompanying consolidated financial statements of Anterra Energy Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of income (loss) and other comprehensive income (loss), changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Anterra Energy Inc. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Comparative Information

Without modifying our opinion, we draw attention to Note 2 to the consolidated financial statements which indicate that the comparative information presented as at and for the year ended December 31, 2012 has been restated.

KPMG LLP

Chartered Accountants
April 28, 2014
Calgary, Canada

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KPMG Canada provides services to KPMG LLP.

ANTERRA ENERGY INC
Consolidated Statements of Financial Position

As at December 31	Note		**2013**		2012
					Restated Note 2
Assets					
Trade and other receivables	7	$	**2,968,038**	$	3,170,757
Deposits and prepaid expenses			**888,909**		375,626
			3,856,947		3,546,383
Property, plant and equipment	10		**72,625,940**		39,942,095
Evaluation and exploration assets	11		**386,667**		4,547,147
		$	**76,869,554**	$	48,035,625
Liabilities					
Bank debt	12	$	**14,014,704**	$	5,748,169
Trade and other payables			**3,528,084**		5,727,798
			17,542,788		11,475,967
Decommissioning liabilities	13		**22,152,634**		10,673,673
Convertible debenture	14		**3,489,507**		-
Deferred income tax liability	15		**-**		1,199,171
			43,184,929		23,348,811
Equity					
Share capital	16		**46,706,177**		31,110,546
Equity component of convertible debenture	14		**454,895**		-
Contributed surplus			**2,880,793**		2,830,727
Deficit			**(16,357,240)**		(9,254,459)
			33,684,625		24,686,814
		$	**76,869,554**	$	48,035,625

Subsequent events (Note 23)
See accompanying notes to consolidated financial statements.
Approved on behalf of the Board:

"Signed" Director
Owen Pinnell

"Signed" Director
Ross O. Drysdale

ANTERRA ENERGY INC

Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31,	Notes	**2013**	2012
Revenue			
Production and processing		**$ 12,395,142**	$ 7,815,050
Royalties		**(1,622,853)**	(920,344)
		10,772,289	6,894,706
Expenses			
Production and operating		**6,266,121**	3,148,472
Transportation		**783,963**	367,296
Depletion, depreciation and amortization	10	**2,796,286**	1,498,459
General and administrative		**2,654,376**	1,915,450
Transaction expense		**437,821**	218,348
Share-based payments	17	**50,066**	197,226
Impairment expense	10	**1,099,100**	180,800
Exploration and evaluation expense	11	**4,161,131**	-
Gain on business combination	8	**(1,192,666)**	-
Finance expense	18	**895,261**	324,058
		17,951,459	7,850,109
Loss before income tax		**(7,179,170)**	(955,403)
Deferred income tax (recovery)	15	**(76,389)**	(141,890)
Loss and comprehensive loss		**(7,102,781)**	(813,513)
Loss per share			
Basic and diluted	19	$ (0.02)	$ (0.003)

See accompanying notes to consolidated financial statements

ANTERRA ENERGY INC

Consolidated Statements of Changes in Equity

	Note	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Accumulated Deficit	Total Equity
Balance, December 31, 2011		**$ 31,264,146**	**$ -**	**$ 2,479,901**	**$ (8,440,946)**	**$25,303,101**
Warrants expired		(153,600)	-	153,600	-	-
Share based payments				197,226		197,226
Loss for the year		-	-		(813,513)	(813,513)
Balance, December 31, 2012		**$31,110,546**	**$ -**	**$2,830,727**	**($9,254,459)**	**$24,686,814**
Share based payments		-	-	50,066	-	50,066
Private placements	16	13,239,418	-	-	-	13,239,418
Issued on acquisition	8	2,356,213	-	-	-	2,356,213
Issuance of Convertible debenture	14	-	454,895	-	-	454,895
Loss for the year					(7,102,781)	(7,102,781)
Balance, December 31 , 2013		**$46,706,177**	**$454,895**	**$2,880,793**	**($16,357,240)**	**$33,684,625**

See accompanying notes to consolidated financial statements

ANTERRA ENERGY INC

Consolidated Statements of Cash Flows

For the years ended December 31,	Note	2013	2012
Operating activities:			
Loss for the year		**$ (7,102,781)**	$ (813,513)
Adjustments for:			
Depletion, depreciation and amortization	10	**2,796,286**	1,498,459
Accretion	18	**505,805**	86,326
Share based payments		**50,066**	197,226
Deferred income tax (recovery)		**(76,389)**	(141,890)
Impairment	10	**1,099,100**	180,800
Exploration and evaluation	11	**4,161,131**	-
Gain on business combination	8	**(1,192,666)**	-
Decommissioning expenditure		**-**	(280,033)
Change in non-cash working capital	20	**(907,003)**	109,685
Cash provided by (used in) operating activities		**$ (666,451)**	$ 837,060
Investing activities:			
Property, plant and equipment expenditures	10	**(3,449,191)**	(4,220,107)
Additions to intangible exploration assets	11	**(651)**	(102,031)
Business combinations	8	**(11,771,191)**	-
Cash used to settle Sandstorm obligation		**(3,467,502)**	-
Change in non-cash working capital	20	**(2,150,967)**	2,340,222
Cash used in investing activities		**$ (20,839,502)**	$ (1,981,916)
Financing activities:			
Net proceeds from issue of shares		**13,239,418**	-
Proceeds from bank debt		**8,266,535**	1,144,856
Cash provided by financing activities		**21,505,953**	1,144,856
Change in cash and cash equivalents		**$ -**	$ -
Cash and cash equivalents, beginning of year		**$ -**	$ -
Cash and cash equivalents, end of year		**$ -**	$ -

See accompanying notes to consolidated financial statements

1. Reporting entity:

Anterra Energy Inc. ("Anterra" or the "Company") is engaged in the acquisition, exploration, development and production of oil and natural gas from properties in western Canada. The Company's common shares are listed and trade on the TSX Venture Exchange under the symbol AE.A. The Company's head office is located at 1420, 1122 4th Street SW, Calgary, Alberta T2R 1M1 and its registered office is located at 3700, 400 - 3rd Avenue SW Calgary, Alberta T2P 4H2.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Terrex Energy Inc.

The Company has two reportable operating segments and a 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 to the oil and gas industry.

2. Restatement of prior year amounts

In determining decommissioning liabilities, the Company uses information as set out by the Alberta Energy Regulator ("AER") in Directive 011, as its primary source of estimating future abandonment and reclamation costs. In 2012, the cost estimates, as set out in Directive 11, did not reflect the entire increase in estimated abandonment and reclamation costs, as intended in the Directive. As a result, the Company's decommissioning liabilities determined as at December 31, 2012 based on the foregoing were understated.

The Company has restated comparative figures for 2012 to correct for this understatement. The effects of the restatement on the statement of financial position as at December 31, 2012 are as follows:

December 31, 2012	As reported	Adjustment	As restated
Assets			
Property, plant and equipment	$35,303,079	$4,639,016	$39,942,095
Liabilities			
Decommissioning liabilities	$ 6,034,657	$4,639,016	$10,673,673

The restatement had no material effect on the statement of loss and comprehensive loss for the year ended December 31, 2012.

3. Basis of preparation:

(a) Statement of compliance:

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were authorized for issuance by the Board of Directors on April 29, 2014.

(b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency:

The consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and for any future years affected. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below.

Critical judgments in applying accounting policies:

The Company's assets are aggregated into cash-generating units ("CGUs"), for the purpose of calculating impairment. CGUs are based on an assessment of a unit's ability to generate largely independent cash flows. By their nature, these estimates and assumptions are subject to measurement uncertainty and may impact the carrying value of the Company's assets in future periods.

Judgments are required to assess when impairment indicators exist and impairment testing is required.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments as to future events and circumstances as to whether economic quantities of reserves have been found.

Key sources of estimation uncertainty:

The following are the key sources of estimation uncertainties affecting the measurement of balances and transactions in these consolidated financial statements.

(i) Decommissioning obligations

The Company estimates decommissioning obligations for oil and gas wells and their associated production facilities and pipelines. In most instances, removal of assets and remediation occurs many years into the future. This requires assumptions and estimates regarding abandonment date, future environmental and regulatory legislation, the extent of reclamation activities, the engineering methodology for estimating cost, future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(ii) Income taxes

Tax provisions are based on enacted or substantively enacted legislation. Changes in legislation could affect amounts recognized in profit or loss both in the period of change, which would include any impact on cumulative provisions, and in future periods. Deferred tax assets (if any) are recognized only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse and an assessment as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets as well as the amounts recognized in profit or loss in the period in which the change occurs.

(iii) Reserves

Estimation of reported recoverable quantities of proved and probable reserves include judgmental assumptions regarding production profiles, future commodity prices, exchange rates, remediation costs, timing and amount of future development costs, and production, transportation and marketing costs for future cash flows as well as the interpretation of complex geological and geophysical models and data.

The economical geological and technical factors used to estimate reserves may change from period to period. Changes in reported reserves can impact the carrying values of the Company's petroleum and natural gas properties and equipment, the calculation of depletion and depreciation, the provision for decommissioning obligations, and the recognition of deferred tax assets due to changes in expected future cash flows. The recoverable quantities of reserves and estimated cash flows from Anterra's petroleum and natural gas interests are assessed and evaluated at least annually by independent reserve evaluators in accordance with National Instrument 51-101.

(iv) Share-based payments

All equity-settled, share-based awards issued by the Company are recorded at fair value using the Black-Scholes option-pricing model. In assessing the fair value of equity-based compensation, estimates have to be made regarding the share price, expected volatility, option life, dividend yield, risk-free rate and estimated forfeitures at the initial grant date.

(v) Business Combinations

In a business combination, management estimates the fair value of assets acquired and liabilities assumed which includes assessing the value of oil and gas properties based upon an estimation of recoverable reserves being acquired.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently in these financial statements.

(a) Basis of consolidation:

These consolidated financial statements include the financial statements of the Company and its subsidiary as at December 31, 2013. A subsidiary is consolidated from the date of acquisition, being the date on which the company obtains control, and continues to be consolidated until the date that control ceases. Control exists when the company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. All intercompany balances and transactions, and any unrealized income and expenses, arising from intercompany transactions are eliminated in full.

Many of the Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(b) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, bank debt, trade and other payables and convertible debenture. Financial assets have been classified as loans and receivables, financial liabilities have been classified as other financial liabilities. These financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these non-derivative financial instruments are measured at amortized cost using the effective interest rate method, less any impairment losses.

(ii) Derivative financial instruments:

The Company may enter into certain financial derivative contracts in order to manage the exposure to market risks from fluctuations in commodity prices. These instruments will not be used for trading or

speculative purposes. The Company will not designate its financial derivative contracts as effective accounting hedges, and therefore will not apply hedge accounting, even though the Company considers all commodities contracts to be economic hedges. As a result, all financial derivative contracts will be classified as fair value through profit or loss and will be recorded on the statements of financial position at fair value. Transaction costs are recognized in profit or loss when incurred. Compound financial instruments issued by the Company may comprise convertible debentures that can be converted to common shares at the option of the holder for a fixed number of common shares.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component, if any, is recognized initially at the difference between the fair value of the compound financial instruments as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

(iii) Share capital:

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

(c) Exploration and evaluation assets and property, plant and equipment

(i) Recognition and measurement:

Exploration and evaluation expenditures:

Pre-license costs are recognized in the statement of income (loss) as incurred.

Exploration and evaluation ("E&E") costs, including the costs of acquiring licenses, geological and geophysical expenditures and drilling and completion costs are initially capitalized as either tangible or intangible exploration or evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centers by well, field or exploration area pending determination of technical feasibility and commercial viability.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability; and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven and probable reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven and/or probable reserves have been discovered. Upon determination of proven and probable reserves, intangible E&E assets attributable to those reserves are first tested for impairment and then transferred from E&E assets to a separate category within tangible assets referred to as oil and natural gas interests.

The cost of undeveloped land that expires or any impairment recognized during a period is charged against earnings as exploration and evaluation expense.

Development and production costs:

Items of property, plant and equipment ("PP&E"), which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. The initial cost of an asset includes its purchase price or construction cost, costs attributable to bringing the asset into operation and the initial estimate of decommissioning obligations. Development and production assets are grouped into CGUs for impairment testing. When significant parts of an item of PP&E, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Disposition

Gains or losses on disposal of an item of PP&E, including oil and natural gas interests are recognized within gains (losses) on disposition. The gain or loss is measured as the difference between the fair value of proceeds received and the carrying value of the asset disposed, including capitalized future decommissioning costs.

(ii) Subsequent costs:

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognized as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognized in earnings as incurred. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves and, are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in earnings as incurred.

(iii) Depletion and depreciation:

The net carrying amount of development or production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Proven and probable reserves are estimated annually using independent reserve engineer reports prepared in accordance with Canadian Securities Regulation National Instrument 51-101, and represent the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible.

For other assets, depreciation is recognized on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the

shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for other assets for the current and comparative years are as follows:

Midstream processing equipment	20 years
Office and other equipment	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(d) Impairment:

(i) Financial assets:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence of impairment. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in earnings.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost the reversal is recognized in earnings.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than E&E assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and other intangible assets that have indefinite lives or that are not yet available for use an impairment test is completed each year. E&E assets are assessed for impairment when they are reclassified to PP&E and when facts and circumstances suggest the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Fair value less cost to sell is determined as the amount that would be obtained from the sale of a CGU in an arm's length transaction. The fair value less cost to sell of oil and natural gas assets is generally determined as the net present value of the estimated future cash flows expected to arise from the continued use of the CGU discounted by an appropriate discount rate. Consideration is given to acquisition metrics of recent transactions completed on similar assets to those contained within the relevant CGU.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognized if the carrying amount of an asset, or its CGU, exceeds its estimated recoverable amount. Impairment losses are recognized in earnings. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the assumptions used to determine the recoverable amount in the period that led to impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognized.

(e) Business combinations

The acquisition method of accounting is used to account for acquisitions that meet the definition of a business under IFRS. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the exchange date. Identifiable assets acquired and liabilities assumed are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of identifiable assets and liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets acquired, the difference is recognized as a gain in earnings.

Transaction costs that are incurred in connection with a business combination other than those associated with the issue of debt or equity securities, are recognized in earnings.

(f) Share based payments:

The Company uses the fair value method for valuing share based compensation. Under this method, the compensation cost attributed to stock options are measured at the fair value at the

grant date and expensed over the vesting period with a corresponding increase in contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. Upon the settlement of the stock options, the previously recognized value in contributed surplus is recorded as an increase to share capital.

(g) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(h) Decommissioning liabilities

The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditures required to settle the present obligation at the measurement date using a risk free discount rate. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision is established.

(i) Revenue:

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party.

Revenue from midstream activities is recorded when the service is rendered to the customer.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

(j) Finance income and expenses:

Finance expense is comprised of interest expense on borrowings, accretion of the discount on decommissioning liabilities and accretion of the equity component of convertible debentures. Interest income is recognized in earnings as it accrues, using the effective interest rate method.

(k) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in earnings except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination or on taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(l) Per share amounts:

Basic earnings (loss) per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options and warrants granted. The calculation assumes that the proceeds on exercise of options or warrants are used to purchase shares at the current market price.

(m) Flow through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. On issuance the premium received on the flow-through shares, being the difference in price over a common share with no tax attributes is recognized on the statement of financial position. As expenditures are incurred the deferred tax liability, associated with the renounced tax deductions is recognized through profit and loss along with a pro-rata portion of the deferred premium.

5. New Accounting Standards

Adoption of new standards:

On January 1, 2013, the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13) and amendments to financial disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on comparative periods.

New Standards and interpretations not yet adopted.

IFRS 9, *Financial Instruments: Classification ad Measurement,* IFRS 9 is intended to supersede IAS 39 and will be published in three phases, the first of which has been published. The first phase addresses the accounting for financial assets and financial liabilities and replaces current multiple classification and measurement models with a single model that has two classification categories: amortized cost and fair value. The second phase will address the impairment of financial instruments and the third phase will address hedge accounting. The effective date for IFRS 9 has been deferred. Early adoption is available and the standard is to be applied retrospectively. The Company is evaluating the impact of adopting this new standard.

6. Determination of fair values:

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the note specific to that asset or liability.

(a) Trade and other receivables, bank debt, and trade and other payables

The fair value of trade and other receivables, bank debt and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of these balances approximated their carrying value due to their short term to maturity. The carrying value of bank debt approximates fair value due to the floating interest rate.

(b) Stock options:

The fair value of stock options is measured using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds).

(c) Property, plant and equipment and exploration and evaluation assets

The fair value of PP&E recognized in a business combination is based on market values. The market value is the estimated amount for which the assets could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction wherein the parties each acted knowledgeably, prudently and without compulsion. The market value of oil and natural gas interests, included in PP&E, are estimated with reference to the discounted cash flows expected to be derived from oil and gas production based upon externally prepared reserve reports. The market values of E & E assets are estimated with reference to market values of current arm's length transactions in comparable a locations.

7. Financial risk management:

(a) Overview:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities. Financial risks include; credit, risk, liquidity risk and market risk.

The following addresses the Company's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers.

	2013	2012
Trade and other receivables	$ 2,968,038	$ 3,170,757

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with stable, substantial and industry recognized purchasers. Historically, the Company has not experienced any collection issues with its oil and natural gas marketers. Receivables from joint interest partners are typically collected within one to three months of the joint interest bill being issued. The Company attempts to mitigate risk relating to joint interest receivables by obtaining partner pre-approval of significant capital expenditures and in other

instances may request cash advances in cases of significant capital expenditures. Collection of outstanding balances, however, is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. Further risk exists with joint interests as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint interests; however, the Company does have the ability to withhold production from joint partners in the event of non-payment.

At December 31, 2013, the Company has recorded a provision for non-collection of $432,189 (2012 – $690,154). The nature of the Company's trade and other receivables at the reporting date was:

	2013	2012
Oil and natural gas marketing companies	$ 712,142	$ 510,655
Joint interest partners	2,688,085	3,350,256
Allowance for doubtful accounts	(432,189)	(690,154)
Total trade and other receivables	$ 2,968,038	$ 3,170,757

As at December 31, 2013 and 2012, the Company's trade and other receivables are aged as follows:

	2013	2012
Current (less than 90 days)	$ 1,769,533	$ 2,307,480
Past due (more than 90 days)	1,630,724	1,553,431
Allowance for doubtful accounts	(432,189)	(690,154)
Total	$ 2,968,038	$ 3,170,757

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company's approach to managing liquidity is to ensure, to the extent possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's financial liabilities consist of bank debt, trade and other payables and a convertible debenture.

The Company ensures that it has sufficient resources to meet expected operational expenses including the servicing of financial obligations excluding the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital and operational expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage

capital expenditure. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month. The Company anticipates that it will continue to have adequate liquidity to fund its financial liabilities from future funds from operations and available credit facilities. The Company was in compliance with covenants on its credit facility as at December 31, 2013.

Financial liabilities, as at December 31, 2013 total $21,032,295 all of which are current except for the $3,489,507 convertible debenture (Note 14) which is due March 15, 2018.

(d) Market risk:

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions will be conducted within risk management tolerances as set by the Board of Directors. No financial derivative or physical delivery sales contracts were entered into during 2013 and 2012.

Currency risk:

Prices for oil are determined in global markets and generally denominated in United States dollars. Natural gas prices obtained by the Company are influenced by both US and Canadian demand and the corresponding North American supply, and recently, by imports of liquefied natural gas. The exchange rate effect cannot be quantified but generally an increase in the value of the $CDN as compared to the $US will reduce the prices received by the Company for its petroleum and natural gas sales.

Interest rate risk:

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The interest charged on the outstanding bank loan fluctuates with the interest rates posted by the lenders. The Company is exposed to interest rate risk and has not entered into any mitigating interest rate contracts.

For the year ended December 31, 2013, a 1% or 100 basis point increase or decrease in market interest rates on the Company's floating rate bank debt would change net earnings by $140,015.

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. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand.

(f) Capital management:

The Company's objective in managing its capital structure is to maintain a flexible structure that permits the Company to meet its financial obligations, execute on its planned growth strategy and preserve its access to capital markets. The Company's capital structure is composed of the following:

	2013	2012
Shareholder's equity	$ 33,684,625	$ 24,686,814
Convertible debenture	3,489,507	-
Bank indebtedness	14,014,704	5,748,169
Net working capital (surplus) deficiency	(328,863)	2,181,415
	$ 50,859,973	$ 32,616,398

In a normal economic environment, the Company is able to manage its capital structure and make adjustments in response to changes in economic conditions and the underlying risk associated with oil and gas assets. The Company monitors its capital and financing requirements through an 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 issuances, the use of bank and other credit arrangements, adjusting capital spending, or by undertaking other strategies as deemed appropriate under the specific circumstances.

Under the Company's current Credit Facility, it is required to maintain a working capital ratio, after adding the unused portion of the revolving demand loan facility and excluding outstanding debt under the facility, of not less than 1:1. The Company was in compliance with this covenant at December 31, 2013 and December 31, 2012.

Management reviews its capital management approach on an ongoing basis. There were no material changes to this approach during the year ended December 31, 2013. The Company is not subject to externally imposed capital requirements.

8. Business Combinations:

(a). Terrex Energy Inc., corporate acquisition

On March 14, 2013, the Company purchased 100% of the issued and outstanding shares of Terrex Energy Inc. ("Terrex"), a public junior oil and gas company, for a total consideration of $2,067,885 comprised 31,813,614 Class A common shares of Anterra and 5,150,000 warrants to purchase 1,581,050 Class A common shares (the "Acquisition"). The warrants to purchase 967,050 Class A shares expired on August 21, 2013 and warrants to purchase 614,000 Class A shares will expire on July 15, 2015 and have an exercise price of $1.00 and $0.60 respectively. No value has been attributed to the warrants.

Concurrently with the Acquisition, 1,866,560 Anterra shares were issued to individuals pursuant to the settlement of personnel obligations. The purpose of the Acquisition was to increase the Company's presence and size in the Western Canadian Sedimentary Basin, and provide the Company with additional development opportunities and operating synergies. The value of common shares issued as consideration was determined in reference to the share price of a material third party private placement of Class A common shares which closed on April 5, 2013. The purchase was accounted for as a business combination using the acquisition method of accounting under IFRS 3.

Estimated fair value of the net assets of Terrex:
Total

Petroleum and natural gas properties	$	16,830,283
Deferred income tax asset		1,274,413
Net working capital(1)		(493,153)
Inter-company payable		(7,755,830)
Decommissioning liability		(6,595,162)
Gain on business combination		(1,192,666)
Total net assets acquired	**$**	**2,067,885**
Consideration		
Class A common shares (31,813,614 shares at $0.065 per share)	**$**	2,067,885

(1) Includes $54,539 of cash and cash equivalents

The recognized amount of identifiable assets and liabilities assumed are best estimates by Anterra's management. The fair value assigned to petroleum and natural gas properties is based upon evaluations prepared by independent reserve evaluators and other market considerations. The value assigned to the deferred income tax asset is based upon accumulated non-capital losses and is limited to the deferred income tax liability previously recognized by the Company. The fair value of petroleum and natural gas properties and the deferred income tax asset gave rise to the gain on purchase.

Immediately prior to and in connection with the Acquisition, Terrex and Anterra entered into a settlement agreement (the "Agreement") with Sandstorm Metals and Energy Ltd. and 0905896 BC Ltd. (collectively, "Sandstorm"). Pursuant to the Agreement, the obligations of Terrex, under a hydro carbon purchase agreement dated March 18, 2011 were terminated in exchange for $3 million cash, funded by Anterra, the

delivery of certain equipment from Terrex having a value of $3 million, and the issuance by Anterra of a $4 million principal amount, 6%, 5 year secured convertible debenture (note 14), the issuance of 3 million Anterra Shares, and the issuance of 20,801,303 Terrex Shares which were exchanged for approximately 6.4 million Anterra shares under the Acquisition. The inter-company payable amount reflects amounts advanced by Anterra to Terrex to facilitate the Agreement.

Costs related to acquisitions totaled $ 621,165 of which $402,817 was incurred and charged to earnings during year ended December 31, 2013. During the period from March 15, 2013 to December 31, 2013, the acquisition attributed revenues of $3.3 million net of royalties, and a net loss of $1.2 million for the period, which is included in the statement of loss and comprehensive loss. If the business combination, as described above, had occurred on January 1, 2013, management estimates that the Company's revenue, net of royalties, would have increased by $3.9 million and income and comprehensive income would have decreased by $1.4 million. This pro forma information is not necessarily indicative of results had the acquisition occurred on January 1, 2013.

(b). Nipisi, property acquisition

The Company acquired light oil producing assets, together with associated infrastructure in the Nipisi area of north central Alberta. The property acquisition was accounted for as a business combination under IFRS 3. The transaction closed on December 18, 2013.

Estimated net assets acquired	
Petroleum and natural gas properties	$17,088,757
Decommissioning liability	(5,263,027)
Total net assets acquired	$ 11,825,730
Consideration	
Cash	$11,825,730

The estimated fair value of the petroleum and natural gas properties acquired was determined using discounted cash flows based on an external reserves report and other market considerations. Decommissioning liabilities assumed were determined using the timing and estimated costs associated with the abandonment, restoration and reclamation of the wells and facilities acquired. The transaction is subject to post-closing adjustments which may affect the estimate of net assets acquired as reported above.

Cost related to the acquisition totaled $35,004, have been charged to earnings. Revenue and net income contributed for the post-closing period from December 18 to December 31, 2013 was $372,913 and $176,749 respectively. If the business combination had occurred on January 1, 2013, management estimates that the Company's 2013 revenue, net of royalties, would have increased by $12.3 million and the loss and comprehensive loss for the year would have decreased by $3.6 million. This pro forma information is not necessarily indicative of results had the acquisition occurred on January 1, 2013.

9. Segmented Financial Information:

For the year ended December 31, 2013	Oil and Gas Production	Midstream Processing	Corporate Segment	Eliminations	Total
Revenue	**$ 9,415,413**	**$ 3,079,515**	**$ -**	**$ (99,786)**	**$ 12,395,142**
Royalties	**(1,622,853)**	**-**	**-**		**(1,622,853)**
	7,792,560	**3,079,515**	**-**	**(99,786)**	**10,772,289**
Production and operating expenses	5,067,606	1,298,301	-	(99,786)	6,266,121
Transportation	783,963	-	-	-	783,963
Depletion, depreciation and amortization	2,623,313	172,973	-	-	2,796,286
General and administrative expenses	1,912,225	742,151	-	-	2,654,376
Transaction cost	437,821	-		-	437,821
Share-based payments	-	-	50,066	-	50,066
Impairment expense	1,099,100	-	-	-	1,099,100
Exploration and evaluation expense	4,161,131	-	-	-	4,161,131
Gain on business combination	(1,192,666)	-		-	(1,192,666)
Finance expense	409,772	-	485,489	-	895,261
Deferred income tax expense (recovery)	(49,326)	(24,263)	(2,800)	-	(76,389)
Net income (loss)	**($7,460,379)**	**$ 890,353**	**($532,755)**	**-**	**($7,102,781)**
Capital expenditures:					
Exploration and evaluation assets	**$ 651**	**$ -**	**$ -**	**$ -**	**$ 651**
Property, plant and equipment	**2,068,234**	**1,380,957**	**-**	**-**	**3,449,191**
	$ 2,068,885	**$1,380,957**	**$ -**	**$ -**	**$3,449,842**
Total Assets	**$ 69,916,246**	**$ 3,096,361**	**$3,856,947**	**$ -**	**$ 76,869,554**

9. Segmented Financial Information, continued;

For the year ended December 31, 2012	Oil and Gas Production	Midstream Processing	Corporate Segment	Eliminations	Total
Revenue	$ 5,195,928	$ 2,708,535	$ -	$ (89,413)	$ 7,815,050
Royalties	(920,344)	-	-		(920,344)
	4,275,584	2,708,535		(89,413)	6,894,706
Production and operating expenses	2,181,626	1,056,059	-	(89,413)	3,148,472
Transportation	367,296	-	-	-	367,296
Depletion, depreciation and amortization	1,378,269	108,526	11,664	-	1,498,459
General and administrative expenses	1,047,877	715,117	152,456	-	1,915,450
Transaction	218,348	-	-	-	218,348
Share-based payments	-	-	197,226	-	197,226
Impairment Expense	180,800	-	-	-	180,800
Finance expense	-	-	324,058	-	324,058
Deferred income tax expense (recovery)	(190,098)	(3,505)	51,713	-	(141,890)
Net income (loss)	**($908,734)**	**$832,338**	**($737,117)**	**-**	**($813,513)**
Capital expenditures:					
Exploration and evaluation assets	$ 102,031	$ -	$ -	$ -	$ 102,031
Property, plant and equipment	4,067,929	151,245	933	-	$ 4,220,107
	$ 4,169,960	**$ 151,245**	**$ 933**	**$ -**	**$4,322,138**
Total Assets	**$ 42,703,244**	**$ 1,785,434**	**$3,546,947**	**$ -**	**$ 48,035,625**

10. Property, plant and equipment:

	Petroleum and natural gas properties $	Processing facilities and furniture and fixtures $	Total $
Cost			
Balance at January 1, 2012	32,574,709	3,206,957	35,781,666
Additions	4,068,929	151,178	4,220,107
Transfer from E&E assets	442,672	-	442,672
Decommissioning provisions	1,724,221	(167,870)	1,556,351
Balance at December 31, 2012	38,810,531	3,190,265	42,000,796
Adjustment (Note 2)	3,977,051	661,965	4,639,016
Balance, December 31, 2012 as restated	42,787,582	3,852,230	46,639,812
Additions	2,068,234	1,380,957	3,449,191
Nipisi acquisition	17,088,757	-	17,088,757
Terrex acquisition	16,830,283	-	16,830,283
Decommissioning provisions	(891,943)	102,943	(789,000)
Balance at December 31, 2013	77,882,913	5,336,130	83,219,043
Depletion, depreciation and impairment			
Balance at January 1, 2012	3,021,077	1,997,381	5,018,458
Depletion for the year	1,429,044	69,415	1,498,459
Impairment for the year	180,800	-	180,800
Balance at December 31, 2012	4,630,921	2,066,796	6,697,717
Depletion for the year	2,623,313	172,973	2,796,286
Impairment for the year	1,099,100	-	1,099,100
Balance at December 31, 2013	8,353,334	2,239,769	10,593,103
Net book value			
Balance at December 31, 2012	38,156,661	1,785,434	39,942,095
Balance at December 31, 2013	**69,529,579**	**3,096,361**	**72,625,940**

Future development costs totaling $38,570,000 (2012 - $19,926,700) are included in the depletion calculation. Personnel expenses of $270,887 (2012 - $209,548) directly attributed to capital activities were capitalized in property, plant and equipment during the year.

Impairment charge

At December 31, 2013, due to reserve revisions and adjustments to future costs, the Company tested certain oil and natural gas CGUs for impairment. As a result, the Company determined that the carrying amount of the cash generating unit at Breton exceeded its recoverable amount calculated as the fair value less costs to sell. The fair value less costs to sell was determined on a

discounted cash flow basis, based on 2013 year-end reserves and commodity prices, using a risk-adjusted discount rate of 10%. The impairment was attributed to PP&E and an impairment loss of $1,099,100 was recorded.

In testing a CGU for impairment, the Company used the commodity price forecast prepared and used by its independent reserve evaluators in the assessment and evaluation of the Company's 2013 year-end reserves, the information presented below has been extracted from the evaluator's commodity price forecast.

Year	Inflation rate	CAD to USD Exchange Rate	Crude oil Edmonton city Gate ($cdn/bbl)	Alberta AECO Average price (cdn/mcf)
2014	0%	0.94	95.75	3.70
2015	2%	0.94	92.30	3.95
2016	2%	0.94	95.20	4.10
2017	2%	0.94	94.80	4.30
2018	2%	0.94	95.60	4.55
2019	2%	0.94	97.50	4.85
2020	2%	0.94	99.45	5.25
2021	2%	0.94	101.45	5.70
2022	2%	0.94	103.45	6.10
2022	2%	0.94	105.55	6.45
2023	2%	0.94	107.65	6.95

11. Evaluation and exploration assets:

Balance, January 1, 2012	$ 4,887,788
Additions	102,031
Transfers to property, plant and equipment	(442,672)
Balance, December 31, 2012	4,547,147
Additions	651
Exploration and evaluation expense	(4,161,131)
Balance, December 31, 2013	$ 386,667

Exploration and evaluation (E&E) assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. Additions represent costs incurred on E&E assets during the year.

As of December 31, 2013 reserves have not been assigned to the Company's exploration project at Abbott in Saskatchewan nor does the Company have plans for further exploration activities in the

area prior to the lease expiry. As a result, $4,161,131 of accumulated 2011 and 2012 land, seismic and drilling costs have been charged to exploration and evaluation expense.

12. Bank debt:

	2013	2012
Authorized	$15,000,000	$12,000,000
Outstanding	$14,014,704	$5,748,169

Bank indebtedness is comprised of a revolving, operating, demand loan credit facility bearing interest at the bank prime plus 0.75% (2012 - prime rate 0.75%), with an effective rate at December 31, 2013 of 3.75% (December 31, 2012 – 3.75%). The facility is secured by a 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 an adjusted working capital ratio, after adding the unused portion of the revolving demand loan facility and excluding outstanding debt under the facility, of not less than 1:1. The Company was in compliance with this covenant at December 31, 2013.

Pursuant to the conditions of the facility and an amendment dated March 19, 2014, the authorized amount was reduced to $13,800,000 pending completion of the annual review scheduled for May 1, 2014.

In addition to the revolving operating loan, the Company has an authorized non-revolving acquisition/development demand loan facility in the amount of $7 million. No amount has been drawn on the non-revolving facility.

13. Decommissioning liabilities:

Balance at January 1, 2012	$ 4,672,013
Changes to estimate	1,520,362
Additions	35,989
Liabilities settled	(280,033)
Accretion expense	86,326
Balance, ,December 31, 2012	6,034,657
Adjustment (Note 2)	4,639,016
Balance, December 31 2012 as restated	10,673,673
Changes to estimate	(789,000)
Obligation acquired	11,858,189
Accretion expense	409,772
Balance, December 31, 2013	$ 22,152,634

The Company's decommissioning liability results from its ownership interest in petroleum and natural gas assets including well sites, gathering systems and processing and production facilities, all of which will require future expenditures for decommissioning under existing legislation.

The Company has estimated the net present value of the decommissioning obligations to be $22,152,634 at December 31, 2013 (2012- $10,673,673 as restated) based on an undiscounted total future liability of $23,975,656 (2012 - $10,924,232 as restated). These expenditures are expected to be incurred over the next 25 years with the majority of costs to be incurred between 2015 and 2025. A risk free rate of 2.61% (2012 – 1.83%) and an inflation factor of 2% were used to determine the decommissioning liability at December 31, 2013.

14. Convertible debenture:

6% redeemable convertible debenture	
6% redeemable convertible debenture, at face value	$4,000,000
Equity component, before deferred income taxes	(606,526)
Accretion	96,033
	$3,489,507

On March 14, 2013, immediately prior to and in connection with the acquisition of Terrex (note 8, Business Combination), the Company issued a $4 million principal amount convertible debenture as partial settlement of a hydrocarbon purchase agreement between Terrex and Sandstorm. The debenture bears interest at 6% payable semi-annually with the principal repayable on March 14, 2018; the debenture is secured, subordinate to the bank credit facility, by a floating charge on the property and assets of the Company.

At the option of the holder on 20 days' notice, the debenture is convertible, in whole or in part at any time, into common shares of the Company at a price of $0.10 per share. The debenture is redeemable, in whole or in part at any time, by the Company on 30 days' notice.

The debenture was initially recorded at its principal amount net of an equity component valued at $606,526 ($454,895 after deferred income tax) attributable to the holder's option to convert the debt into common shares.

15. Income tax

The Company has non-capital losses for income tax purposes totaling approximately $30 million. The losses expire between 2023 and 2033. Due to the uncertainty of the existence and timing of future taxable income sufficient to utilize the losses and other deductible temporary differences, the related tax benefit of approximately $5.5 million has not been recognized except to the extent of $1.3 million of deferred tax liabilities previously recognized.

Reconciliation of effective tax rate:

Rate Reconciliation	2013	2012
Income (loss) before tax	(7,179,170)	(955,403)
Expected tax rate	25.000%	25.000%
Expected income tax expense (recovery)	(1,794,793)	(238,851)
Share based compensation	12,517	49,307
Nontaxable gain on acquisition	(298,167)	-
Other	(30,727)	47,654
Change in unrecognized deferred tax assets	2,034,781	-
Total income tax expense (recovery)	(76,389)	(141,890)

Deferred tax assets and liabilities:

Deferred tax assets and liabilities are attributable to the following:

	2013	2012
Deferred tax liabilities:		
Property, plant and equipment (including E&E assets)	(8,438,340)	(6,575,763)
Convertible debt liability	(127,623)	-
Less deferred tax assets:		
Decommissioning Liabilities	5,538,159	2,668,418
Non-capital losses	3,027,804	2,624,391
Share issue costs and other	-	83,783
Net deferred tax liability	-	(1,199,171)

Deferred tax assets have not been recognized in respect to the following temporary differences:

	2013	2012
Property, plant and equipment (including E&E assets)	3,246,618	-
Non-capital losses	17,840,782	-
Share issue costs and other	835,464	-
Total temporary differences	21,922,864	-

Continuity of the deferred income tax liability

	Balance at January 1 2013	Recognized in P&L	Acquired in business combination	Recorded in Equity	Balance at December 31 2013
Property, plant and equipment (including E&E assets)	(6,575,763)	(213,786)	(1,648,791)	-	(8,438,340)
Convertible debenture	-	24,008	-	(151,631)	(127,623)
Decommissioning Liabilities	2,668,418	1,220,950	1,648,791	-	5,538,159
Non-capital losses	2,624,391	(871,000)	1,274,413	-	3,027,804
Share issue costs and other	83,783	(83,783)	-	-	-
	(1,199,171)	76,389	1,274,413	(151,631)	-

	Balance at January 1 2012	Recognized in P&L	Acquired in business combination	Recorded in Equity	Balance at December 31 2012
Property, plant and equipment (including E&E assets)	(4,754,656)	(1,821,107)	-	-	(6,575,763)
Convertible debenture	-	-	-	-	-
Decommissioning Liabilities	1,168,004	1,500,414	-	-	2,668,418
Non-capital losses	2,092,703	531,688	-	-	2,624,391
Share issue costs and other	152,888	(69,105)	-	-	83,783
	(1,341,061)	141,890	-	-	(1,199,171)

16. Share capital:

Authorized

Unlimited Class A voting shares without par value

Unlimited preferred shares, issuable in series, rights and privileges to be determined on issue

Issued and Outstanding		Class A Shares	Warrants	$
Balance, December 31, 2011		246,438,032	1,599,999	31,264,146
Expired	(a)	-	(1,599,999)	(153,600)
Balance, December 31, 2012		246,438,032	-	31,110,546
Acquisition	(b)(c)	36,680,174	5,150,000	2,356,213
Expired	(c)	-	(3,150,000)	-
Private placement	(d)	107,692,308	1,000,000	6,619,750
Private placement	(e)	106,060,606	1,000,000	6,619,668
Balance, December 31, 2013		**496,871,120**	**4,000,000**	**46,706,177**

(a) On January 14, 2012, 1,599,999 warrants expired.

(b) On March 14, 2013, a total of 36,680,174 shares were issued on the Terrex Acquisition: 31,813,614 shares were issued to Terrex shareholders in exchange for all Terrex shares; 3,000,000 shares were issued to Sandstorm directly pursuant to the Sandstorm Settlement Agreement; and 1,866,560 shares were issued to individuals directly pursuant to the settlement of personnel obligations.

(c) On March 14, 2013, 5,150,000 warrants for the acquisition of a total of 1,581,050 Anterra Class A shares were issued in relation to the Terrex Acquisition: warrants to purchase 967,050 shares at a price of $1.001 expired on August 21, 2013 and warrants to purchase 614,000 shares at a price of $0.603 per share will expire on July 15, 2015. No value has been attributed to the warrants.

(d) On April 5, 2013, pursuant to a private placement, the Company issued 107,692,308 Class A common shares, at a price of $0.065 per share, to LandOcean Resource Investment Canada Co. Ltd. for gross proceeds of $7 million. The Company paid a cash fee of $350,000 and issued 1,000,000 common shares purchase warrants relating to the private placement. Each warrant entitles the holder to acquire one common share at a price of $0.10 per share. The warrants will expire on April 4, 2015.

(e) On August 26, 2013, pursuant to a private placement, the Company issued 106,060,606 Class A common shares at a price of $0.066 per share, to Huisheng Group Co. Ltd. ('Huisheng") for gross proceeds of $7 million. The Company paid a cash fee of $350,000 and issued 1,000,000 common shares purchase warrants relating to the private placement. Each warrant entitles the holder to acquire one common share at a price of $0.10 per share. The warrants will expire on August 21, 2015.

17. Share based payments:

On March 26, 2011, the Company granted 5,350,000 stock options to directors, officers and employees to purchase Class A Shares at an exercise price of $0.255. Of the total options granted, 3,500,000 options vested immediately and of the remaining 1,850,000 options, one third vested immediately, with the balance vesting equally on the first and second anniversary of the grant date. Included in these options were 750,000 options granted to consultants providing engineering services to the Company.

A summary of the status of the Company's stock option plan as December 31, 2013 and 2012, and changes during the period ending on those dates is presented below.

Options Outstanding	Number of options	Weighted average exercise price $
Outstanding at January 1, 2012	20,200,000	0.10
Forfeited	(350,000)	0.255
Outstanding at December 31, 2012	19,850,000	0.14
Forfeited	(1,750,000)	0.10
Forfeited	(1,500,000)	0.255
Outstanding at December 31, 2013	16,600,000	0.13

The following table summarizes stock options outstanding and exercisable:

Options Exercisable					
Range of exercise prices	**Number outstanding at December 31, 2013**	**Expiry date**	**Weighted average exercise price**	**Number exercisable at December 31, 2013**	**Weighted average remaining contractual life**
$0.10	13,100,000	July 13, 2015	$0.10	13,100,000	1.5 years
$0.255	3,500,000	March 26, 2016	$0.255	3,500,000	2.2 years
$0.10 - $0.255	16,600,000		$0.13	16,600,000	1.7 years

No options were granted during the years ended December 31, 2013 and 2012.

18. Finance income and expenses:

		2013		2012
Finance income:				
Interest income on bank deposits	**$**	**(867)**	$	(5,794)
Financial expenses:				
Interest on bank debt		**200,323**		243,526
Interest on debenture		**190,000**		-
Accretion of debenture		**96,033**		-
Accretion of decommissioning liabilities		**409,772**		86,326
		896,128		329,852
Net finance expense	**$**	**895,261**	$	324,058

19. Per share amounts:

Basic loss per share were calculated as follows:

	2013	2012
Loss for the year	$ (7,102,781)	$ (813,513)
Weighted average number of common shares (Basic)	392,643,301	246,438,022

The effect of outstanding options, warrants and convertible instruments is non-dilutive.

20. Supplemental cash flow information:

Changes in non-cash working capital is comprised of

	2013	2012
Source/ (use) of cash:		
Trade and other receivables	$ 378,422	$ (1,127,035)
Deposit and prepaid expenses	(324,500)	69,682
Trade and other payables	(3,111,892)	3,507,260
	$ (3,057,970)	$ 2,449,907
Related to operating activities	$ (907,003)	$ 109,685
Related to investing activities	$ (2,150,967)	$ 2,340,222

	$ (3,057,970)	**$ 2,449,907**

21. Commitments:

The Company has entered into a new lease arrangement for five years commencing January 1, 2013 and expiring December 31, 2017. Annual base lease payments are $221,892.

22. Key management personnel compensation:

Key management personnel include the Board of Directors and Executives that have authority and responsibility for planning, directing and controlling the activities of the Company.

Personnel expenses directly attributed to capital activities will be, if any, capitalized and included in property, plant and equipment and intangible exploration assets.

In addition to their salaries, the Company also provides non-cash benefits to directors and executive officers. Key management personnel compensation is comprised of the following:

	2013	2012
Salaries and wages	$ **449,514**	**$** 363,484
Short-term employee benefits	**6,180**	3,943
Share-based payments (i)	**17,022**	125,428
	$ 472,716	$ 492,855

Represents the amortization of share based compensation associated with options granted to executive officers as recorded in the financial statements.

23. Subsequent events

Amalgamation

On January 1, 2014, Anterra Energy Inc. and its wholly owned subsidiary, Terrex Energy Inc. amalgamated to form one entity, Anterra Energy Inc. pursuant to the laws of the Province of Alberta,

Amended Credit Agreement

On March 19, 2014, the Company entered into an amended credit agreement wherein the available amount under the Company's revolving operating demand loan facility was reduced from $15 million to $13.8 million pending completion of the lender's annual review on May 1, 2014.

24. Related party transactions:

The Company had the following related party transactions:

(a) LandOcean Energy Services Co ., Ltd. ("LandOcean Services") currently holds approximately 21.7% of the issued and outstanding Class A common shares of Anterra through its subsidiary, LandOcean Resources Investment Canada Co., Ltd. On April 8, 2013, the Company entered into an agreement ("the Agreement") with LandOcean Services whereby LandOcean Services will provide Anterra with long-term technical consulting services including integrated reservoir studies, exploitation evaluations, and production planning for existing properties and acquisition projects through to the end of 2014.

Pursuant to the Agreement, LandOcean Services will earn total compensation of $1,949,600 for technical services through to the end of 2014 of which $976,880 was earned during year 2013。 The Company charges technical costs incurred under the agreement to petroleum and natural gas properties. Additionally, under the agreement, $50,000 for travel, communication and management costs, under the terms of the agreement, were paid and expensed during the year. At December 31, 2013, $392,000 was payable to the related party in relation to the Agreement.

(b) During the year ended December 31, 2013 an accounting firm, of which a former officer of Anterra is a shareholder, charged the Company $40,950 (2012 - $16,625) for accounting services. No amounts remain payable at December 31 2013 in relation to the foregoing.

(c) During the year ended December 31, 2013, a consulting company, to which an officer of Anterra is related, charged the Company $93,980 (2012 - $77,160) for consulting services. At December 31, 2013, $6,340 was payable in relation to services provided.

(d) During the year ended December 31, 2013, the Company paid $84,473 to a corporation, the shareholder of which is a shareholder of Alliance Success Holdings Limited which owns approximately 39% of Anterra. The payment related to services provided in conjunction with Anterra's OTCQX listing, including the reimbursement of expenses.

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.