Financial Statements

For the years ended December 31, 2016 and 2015

Independent Auditors' Report

To the Shareholders of Anterra Energy Inc.
We have audited the accompanying financial statements of Anterra Energy Inc. which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, the statements of loss and comprehensive 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 Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial statements present fairly, in all material respects, the financial position of Anterra Energy Inc. as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to note 2 in the financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about Anterra Energy Inc.'s ability to continue as a going concern.

MNP LLP

Calgary, Alberta
April 25, 2017

Chartered Professional Accountants

ANTERRA ENERGY INC.

Statements of Financial Position

As at December 31	Note		**2016**		2015
Assets					
Current					
Cash		**$**	**217,505**	$	-
Receivables	19		**1,529,499**		1,690,088
Deposits and prepaid expenses			**698,773**		825,627
			2,445,777		2,515,715
Property, plant and equipment	8		**29,397,782**		36,078,853
		$	**31,843,559**	$	38,594,568
Liabilities					
Current					
Bank debt	9	**$**	**9,782,320**	$	9,920,816
Debtor–in–Possession financing	10		**2,007,352**		-
Payables and accruals			**14,458,381**		11,896,022
Fair value of risk management contracts	11		**-**		429,482
			26,248,053		22,246,320
Decommissioning liabilities	12		**25,461,479**		24,549,767
Convertible debenture	13		**3,853,422**		3,732,117
			55,562,954		50,528,204
Equity (Deficiency)					
Share capital	15		**46,706,177**		46,706,177
Equity component of convertible debenture	13		**454,895**		454,895
Contributed surplus			**2,882,545**		2,882,545
Deficit			**(73,763,012)**		(61,977,253)
			(23,719,395)		(11,933,636)
		$	**31,843,559**	$	38,594,568

Going concern (Note 2)
Subsequent event (Note 23)

See accompanying notes to financial statements

"signed"
Gang Fang, Director

"signed"
Cheng Feng Tang, Director

ANTERRA ENERGY INC.

Statements of Loss and Comprehensive Loss

For the years ended December 31,	Note	**2016**	2015
Revenue			
Production and processing		**$ 7,760,579**	$ 12,570,594
Royalties		**(825,146)**	(1,137,655)
		6,935,433	11,432,939
Realized gain on risk management contracts	11	**-**	986,881
Unrealized gain (loss) on risk management contracts	11	**429,482**	(651,593)
		7,364,915	11,768,227
Expenses			
Production and operating		**6,090,893**	8,275,297
Transportation		**432,527**	718,328
Spill clean-up and site remediation (recovery)		**-**	(1,478,102)
Depletion and depreciation	8	**2,548,154**	5,181,700
General and administrative		**1,637,111**	1,960,045
CCAA costs		**807,476**	-
Finance expense	17	**1,603,535**	1,562,867
Impairments	8, 19	**6,030,978**	25,263,648
		19,150,674	41,483,783
Loss before income tax		**(11,785,759)**	(29,715,556)
Other Income (Loss)		**-**	149,121
Loss and comprehensive loss		**$ (11,785,759)**	$ (29,566,435)
Loss per share			
Basic and diluted	18	**$ (0.02)**	$ (0.06)

See accompanying notes to financial statements

ANTERRA ENERGY INC.

Statements of Changes in Equity

	Note	Share Capital	Convertible Debenture Equity Component	Contributed Surplus	Deficit	Total Equity
Balance, January 1, 2015		$46,706,177	$ 454,895	$2,882,545	$ (32,410,818)	$17,632,799
Loss for the year		-	-	-	(29,566,435)	(29,566,435)
Balance, December 31 , 2015		**$46,706,177**	**$ 454,895**	**$2,882,545**	**$(61,977,253)**	**$(11,933,636)**
Loss for the year		-	-	-	(11,785,759)	(11,785,759)
Balance, December 31 , 2016		**$46,706,177**	**$ 454,895**	**$2,882,545**	**$(73,763,012)**	**$(23,719,395)**

See accompanying notes to financial statements

ANTERRA ENERGY INC.

Statements of Cash Flows

For the years ended December 31,		**2016**	2015
Operating activities:	Note		
Loss for the year		**$ (11,785,759)**	$ (29,566,435)
Items not involving cash			
Depletion and depreciation	8	**2,548,154**	5,181,700
Accretion	17	**529,045**	553,062
Sale of property, plant and equipment		**-**	(114,369)
Unrealized gain on risk management contracts	11	**(429,482)**	651,593
Impairment	8	**5,775,103**	25,240,171
Decommissioning expenditures	12	**-**	(19,270)
Cash (used in) provided by operating activities before changes in non-cash working capital		**(3,362,939)**	1,926,452
Change in non-cash working capital	21	**2,849,802**	775,511
Cash (used in) provided by operating activities		**(513,137)**	2,701,963
Investing activities:			
Property, plant and equipment expenditures	8	**(1,138,214)**	(335,966)
Proceeds of sale of property, plant and equipment		**-**	250,000
Change in non-cash working capital	21	**-**	(52,298)
Cash used in investing activities		**(1,138,214)**	(138,264)
Financing activities:			
Debtor-in-Possession financing	10	**2,007,352**	-
Repayment of bank debt	9	**(138,496)**	(2,563,699)
Cash provided by (used in) financing activities		**1,868,856**	(2,563,699)
Change in cash and cash equivalents		**$ 217,505**	$ -
Cash and cash equivalents, beginning of year		**$ -**	$ -
Cash and cash equivalents, end of year		**$ 217,505**	$ -

See accompanying notes to financial statements

1. Reporting entity:

Anterra Energy Inc. (“Anterra” or the “Company”) is engaged in the acquisition, exploitation, development and production of oil and natural gas from properties in western Canada. The Company’s common shares are listed on the TSX Venture Exchange (“TSX-V”) 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.

During the year, the Company’s securities were halted from trading on the TSX V as a result of a delay in filing all required annual disclosure documents. On September 9, 2016 the Company announced that it had met all the TSX-V requirements relating to the reinstatement of trading and intends seek resumption of trading when appropriate.

The Company has two reportable operating segments and a corporate segment. The oil and gas production segment, develops and produces oil and natural gas. The midstream processing segment provides oil and gas processing and water disposal services to third parties.

2. Going Concern:

Continuing weak crude oil prices experienced during 2015 and 2016 have negatively impacted earnings and cash flow. Additionally, total net costs of $1.2 million resulting from two major pipeline failures at the Company’s Nipisi property during 2014, compounded by related production interruptions, have further strained the Company’s financial resources.

As a result, the Company has experienced losses and negative cash flow from operations throughout 2016.

Pursuant to a review by the Company’s lender, Canadian Western Bank (“CWB”) effective March 9, 2015, the Company’s revolving, operating demand loan credit facility was reduced to a maximum amount of $10 million and a non-revolving demand loan facility with maximum amount of $1 million. The non-revolving loan facility was repayable as to $200,000 on acceptance of the facilities agreement and thereafter in minimum monthly principal payments of $200,000. On April 15, 2016 CWB made demand upon the Company for payment in full of Anterra’s outstanding indebtedness.

On May 6, 2016, pursuant to an order granted by the Court of Queen’s Bench of Alberta, the Company obtained creditor protection under the *Companies’ Creditors Arrangement Act* (Canada) (“CCAA”). CCAA protection stays creditors and others from enforcing rights against Anterra and affords the Company the opportunity to restructure its financial affairs. In conjunction with the CCAA application, the Company has arranged for Debtor-in-Possession (“DIP”) financing by way of a $2.5 million interim loan which is available to the Company to fund the CCAA proceedings, expenditures required to maintain production and general operations.

2. Going Concern (continued):

The foregoing conditions create a material uncertainty that may cast significant doubt as to the Company's ability to execute on its business plan and continue as a going concern.

These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of obligations in the normal course of business. If this assumption is not appropriate, adjustments to the carrying amounts of assets and liabilities, revenues and expenses and the statement of financial position classifications used in the financial statements may be necessary and such adjustments could be material.

3. Basis of preparation:

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB") and were authorized for issuance by the Board of Directors on April 25, 2017.

The financial statements have been prepared on the historical cost basis except as disclosed in Note 4, and are presented in Canadian dollars which is the Company's functional currency.

A portion of the Company's petroleum and natural gas activities involve jointly owned assets and related liabilities. These financial statements include the Company's share of these jointly owned assets and liabilities and a proportionate share of the relevant revenues and expenses. Partners in these jointly owned assets are referred to as joint interest partners.

The preparation of 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 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.

Judgement is required to determine whether future taxable earnings will be realized sufficient to recognize deferred tax assets.

3. Basis of preparation (continued):

Key sources of estimation uncertainty:

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

(i) Impairment estimate:

The assessment for impairment of assets involves comparing the carrying value of the CGU with the higher of value in use calculations and fair value less costs of disposal. Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, production profiles and the outlook for regional supply-and-demand conditions for crude oil, natural gas and liquids. Impairment is recognized in the statement of loss and comprehensive loss in the period in which the carrying amount exceeded the recoverable amount.

Impairment reversals are recognized to the extent of the original impairment, but are limited to the net book value that would have existed had impairment not been recorded.

(ii) Decommissioning obligations:

The Company estimates future remediation costs of wells, 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 required, the engineering methodology for estimating cost, and future removal technologies in determining the removal cost and liability-specific discount rates to determine the present value of these cash flows.

(iii) 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 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.

3. Basis of preparation (continued):

(iv) Reserves:

Estimation of reported recoverable quantities of proved and probable reserves includes estimates and assumptions regarding production profiles, future commodity prices, exchange rates, remediation costs, amount and timing of future development costs, and production, transportation and marketing costs relating to 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 Canadian Securities Regulation National Instrument 51-101.

(v) 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.

4. Significant accounting policies:

The accounting policies set out below have been applied consistently to the years presented in these financial statements.

(a) Financial instruments:

(i) Non-derivative financial instruments:

Non-derivative financial instruments comprise cash, receivables, bank debt, DIP financing, payables and accruals, and the 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.

4. Significant accounting policies (continued):

(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 are not used for trading or speculative purposes. Financial derivative contracts are not designated as effective accounting hedges, and thus does not apply hedge accounting, even though the Company considers all commodities contracts to be economic hedges. As a result, all financial derivative contracts are 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.

(iii) Compound financial instruments;

Compound financial instruments issued by the Company 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.

(iv) 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 income tax effects.

(b) Exploration and evaluation assets and property, plant and equipment:

(i) Recognition and measurement:

Exploration and evaluation expenditures (E&E):

Expenditures that relate to a field or area where technical feasibility and commercial viability has not yet been determined are initially capitalized as E&E assets. These costs include land and license acquisition costs, drilling, geological, geophysical and other directly attributable costs. Costs incurred prior to acquiring the legal rights to explore an area are expensed.

E&E assets are not subject to depletion or depreciation but are assessed at least annually for impairment.

Technical feasibility and commercial viability is considered to be determinable when proven and probable reserves are determined to exist. Once technical feasibility and commercial viability have been shown to exist, the asset is transferred to property, plant and equipment. If the carrying amount of the asset is greater than the asset's fair value, then the excess is expensed

4. Significant accounting policies (continued):

Exploration and evaluation expenditures (E&E) (continued):

Property, plant & equipment (PP&E):

Property, plant and equipment ("PP&E"), is carried at cost less accumulated depletion and depreciation and accumulated impairment losses. The cost of PP&E assets include: transfers from E&E assets, the costs to complete and tie-in wells, facility costs and provisions for future decommissioning costs.

Gains or losses on disposal of an item of PP&E are recognized in the statement of loss and comprehensive loss. 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 costs of replacing parts of a PP&E asset are recognized as an asset only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred. Such capitalized costs generally represent costs incurred in developing proved and/or probable reserves and bringing on 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

(iii) Depletion and depreciation:

The net carrying amount of intangible PP&E assets is depleted using the unit of production method based upon estimated proven and probable reserves 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 estimates are prepared annually independent reserve engineer reports prepared in accordance with Canadian Securities Regulation National Instrument 51-101.

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 and well equipment	20 years
Office and other equipment	5 years
Turnaround costs	3 years

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

4. Significant accounting policies (continued):

(c) 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.

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 the statement of loss and comprehensive loss.

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 the statement of loss and comprehensive loss.

(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 generate 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 of disposal.

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 of disposal 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.

4. Significant accounting policies (continued):

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 the statement of loss and comprehensive loss. 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 periods 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, if no impairment loss had been recognized.

(d) 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 the statement of loss and comprehensive loss.

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 the statement of loss and comprehensive loss.

(e) 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.

4. Significant accounting policies (continued):

(f) 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.

(g) 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 decommissioning obligations are charged against the provision to the extent the provision is established.

(h) 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, normally 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.

(i) 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 the convertible debenture. Interest income is recognized as it accrues, using the effective interest rate method.

4. Significant accounting policies (continued):

(j) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of loss and comprehensive loss 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.

(k) Per share amounts:

Basic earnings (loss) per share is calculated by dividing the net income (loss) for the year attributable to equity owners of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share are calculated by adjusting the weighted average number of common shares outstanding for dilutive instruments. The Company's potentially dilutive instruments are comprised of stock options granted and warrants issued.

5. New Accounting Pronouncements:

The following pronouncements from the IASB will become effective for financial reporting periods beginning on or after January 1, 2017 and have not yet been adopted by the Company. These new or revised standards permit early adoption with transitional arrangements depending upon the date of initial application:

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" and addresses the classification and measurement of financial instruments with an, effective date of January 1, 2018. IFRS 9 introduces a single approach to determining whether a financial asset is measured at amortized cost or fair value and replaces the multiple rules in IAS 39.

5. New Accounting Pronouncements (continued):

For financial liabilities designated as fair value through profit or loss a company can recognize the portion of the change in fair value related to the company's own credit risk, through other comprehensive income rather than profit of loss. .

IFRS 15 "Revenue From Contracts with Customers" provides clarification and establishes a single revenue recognition framework to contracts with customers. The standard requires an entity to recognize revenue to reflect the amount it expects to receive on the transfer of goods and services when control is transferred to the purchaser. The standard is to be adopted either retrospectively or using a modified retrospective approach for annual periods beginning on or after January 1, 2018. Disclosure requirements are also expanded.

IFRS 16 "Leases" replaces IAS 17 "Lease" and requires lessees to recognize lease assets and liabilities for most leases. The classification of leases as either operating or financing leases is removed and all leases, with the exception of certain short-term and leases of low asset value, are treated as finance leases. The standard is effective for years beginning on or after January 1, 2019.

The Company has not completed its evaluation of the effect of adopting the foregoing standards on its financial statements.

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) Receivables, bank debt, payables and accruals, DIP financing and other non-current liabilities

The fair value of these balances approximate 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. The carrying value of other non-current liabilities approximates its fair value as the interest rate is a market interest rate.

(b) Share-based compensation

The fair value of share-based payments 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, estimated forfeitures and the risk-free interest rate (based on government bonds).

6. Determination of fair values (continued):

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

The fair 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 fair values of E&E assets are estimated with reference to values of current arm's length transactions in comparable locations.

7. Segmented Financial Information:

For the year ended December 31, 2016	Oil and Gas Production	Midstream Processing	Corporate Segment	Eliminations	Total
Revenue	$ 5,859,759	$ 1,915,112	$ -	$ (14,292)	$ 7,760,579
Royalties	(825,146)	-	-	-	(825,146)
	5,034,613	1,915,112	-	(14,292)	6,935,433
Unrealized gain on risk management contracts	429,482	-	-	-	429,482
	5,464,095	**1,915,112**	**-**	**(14,292)**	**7,364,915**
Production and operating expenses	5,060,474	1,044,711	-	(14,292)	6,090,893
Transportation	424,954	7,573	-	-	432,527
Depletion and depreciation	2,179,851	368,303	-	-	2,548,154
General and administrative expenses	308,315	361,946	966,850	-	1,637,111
CCAA costs	-	-	807,476		807,476
Impairment expense	5,775,103	-	255,875	-	6,030,978
Finance expense	387,838	19,902	1,195,795	-	1,603,535
	14,136,535	**1,802,435**	**3,225,996**	**(14,292)**	**19,150,674**
Net income (loss)	**(8,672,440)**	**112,677**	**(3,225,996)**	**-**	**(11,785,759)**
Capital expenditures:					
Property, plant and equipment (net of disposition)	**1,138,214**	**-**	**-**	**-**	**1,138,214**
Total Assets	**$ 26,773,546**	**$ 2,624,236**	**$ 2,445,777**	**-**	**$ 31,843,559**

7. Segmented Financial Information (continued):

For the year ended December 31, 2015	Oil and Gas Production	Midstream Processing	Corporate Segment	Eliminations	Total
Revenue	$ 9,024,395	$ 3,582,828	-	$ (36,629)	$ 12,570,594
Royalties	(1,137,655)	-	-	-	(1,137,655)
	7,886,740	3,582,828	-	(36,629)	11,432,939
Realized gain on risk management contracts	986,881	-	-	-	986,881
Unrealized gain on risk management contracts	(651,593)	-	-	-	(651,593)
	8,222,028	**3,582,828**	**-**	**(36,629)**	**11,768,227**
Production and operating expenses	6,962,439	1,349,487	-	(36,629)	8,275,297
Spill clean-up and site remediation	(1,478,102)	-	-	-	(1,478,102)
Transportation	677,090	41,238	-	-	718,328
Depletion and depreciation	4,834,220	347,480	-	-	5,181,700
General and administrative expenses	1,092,840	444,294	422,911	-	1,960,045
Impairment expense	25,240,171	-	23,477	-	25,263,648
Finance expense	431,756	21,585	1,109,526	-	1,562,867
Other income	149,121	-	-	-	149,121
Net income (loss)	**$(29,389,265)**	**$ 1,378,744**	**$ (1,555,914)**	**-**	**$ (29,566,435)**
Capital expenditures:					
Property, plant and equipment (net of disposition)	**$ 124,401**	**$ 75,934**	**-**	**-**	**$ 200,335**
Total Assets	**$ 33,101,181**	**$ 2,977,763**	**$2,515,625**	**-**	**$ 38,594,568**

8. Property, plant and equipment:

	Petroleum and natural gas properties $	Processing and other assets $	Total $
Cost			
Balance at January 1, 2015	85,222,820	5,604,662	90,827,482
Additions, net of dispositions	511,068	75,934	587,002
Decommissioning provisions	1,424,765	43,349	1,468,114
Balance at December 31, 2015	87,158,653	5,723,945	92,882,598
Additions, net of dispositions	1,138,214	-	1,138,214
Decommissioning provisions	489,105	14,867	503,972
Balance at December 31, 2016	**88,785,972**	**5,738,812**	**94,524,784**
Depletion, depreciation and impairment			
Balance at January 1, 2015	23,983,082	2,398,792	26,381,874
Depletion and depreciation	4,834,220	347,480	5,181,700
Impairment for the year	25,240,171	-	25,240,171
Balance at December 31, 2015	54,057,473	2,746,272	56,803,745
Depletion and depreciation	2,179,851	368,303	2,548,154
Impairment for the year	5,775,103	-	5,775,103
Balance at December 31, 2016	**62,012,427**	**3,114,575**	**65,127,002**
Net book value			
Balance at December 31, 2015	33,101,180	2,977,673	36,078,853
Balance at December 31, 2016	**26,773,545**	**2,624,237**	**29,397,782**

Future development costs totaling $10,133,200 (2015 - $9,209,900) are included in the depletion calculation. Personnel expenses of $18,365 (2015 - $149,175) directly attributed to capital activities were capitalized in property, plant and equipment during the year.

On May 1, 2015, the Company disposed of certain petroleum and gas properties in Saskatchewan for cash proceeds of $250,000 before closing adjustments. The petroleum and natural gas properties had a carrying value of $263,706 at the time of disposition, and an associated decommissioning liability of $128,075, resulting in a gain on disposal of $114,369.

8. Property, plant and equipment (continued):

Impairment charge:

At December 31, 2016, due to current and forecasted low commodity prices, reserve revisions and adjustments to future costs, the Company tested its oil and natural gas CGUs for impairment. As a result, the Company determined that the carrying amount of the cash generating units at Breton, Two Creek and Other Alberta Properties exceeded their recoverable amount calculated using fair value less costs of disposal. The fair value less costs to sell was determined on a discounted cash flow basis, based on 2016 year-end reserves and commodity prices, using a discount rate of 12%. The impairment was attributed to PP&E and an impairment loss of $5,775,103 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 2016 year-end reserves, the information presented below has been extracted from the evaluator's commodity price forecast.

		Crude oil		Natural gas
	Inflation	Canadian Light Sweet	Western Canada Select	Alberta AECO
Year	rate	($cdn/bbl)	($cdn/bbl)	($cdn/mcf)
2017	1.5%	65.58	53.12	3.44
2018	1.5%	74.51	61.85	3.27
2019	1.5%	78.24	64.94	3.22
2020	1.5%	80.64	66.93	3.91
2021	1.5%	82.25	68.27	4.00
2022	1.5%	83.90	69.64	4.10
2023	1.5%	85.58	71.03	4.19
2024	1.5%	87.29	72.45	4.29
2025	1.5%	89.03	73.90	4.40
2026	1.5%	90.81	75.38	4.50
2027	1.5%	92.63	76.88	4.61

9. Bank debt:

	December 31, 2016	December 31, 2015
Authorized		
Revolving demand loan	**$10,000,000**	$10,000,000
Non-revolving demand loan	**-**	1,005,154
	$10,000,000	$11,005,154
Outstanding		
Revolving demand loan	**$9,782,320**	$9,340,661
Non-revolving demand loan	**-**	580,155
	$9,782,320	$9,920,816

As at March 9, 2015, the Company's authorized revolving, operating demand loan was reduced to a maximum amount of $10 million and a non-revolving demand loan with maximum amount of $1.0 million. The revolving facility bears interest at the bank prime plus 1.25% (December 31, 2015 - prime rate plus 1.25%), with an effective rate at December 31, 2016 of 3.95% (December 31, 2015 – 3.95%). The non-revolving facility bore interest at the bank prime rate plus 3.00% with an effective rate as at December 31, 2016 of 5.70%. The non-revolving facility was repaid during 2016.

The loan amounts are secured by a first floating charge debenture in the amount of $35 million over all assets of the Company. Under the loan 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. As at December 31, 2016 the adjusted working capital ratio was below 1:1 and the Company is in default under the agreement and the default may continue throughout 2017. Repayment of the loan was stayed as of May 6, 2016 pursuant to the CCAA process.

10. Debtor-In-Possession ("DIP") Financing:

In May 2016, the Company and Western Union Petro International Co. Ltd. ("Western Union International") executed a DIP Commitment Letter whereby Western Union International agreed to provide an interest free loan in the maximum of $2.5 million (the "DIP Facility") to the Company to provide for short-term liquidity needs, including funding of the CCAA process, while the Company is under CCAA protection. As at December 31, 2016, the Company had drawn $2,007,352 on the facility. The balance of the facility is held in trust by the Company's legal counsel and is available to the Company upon approval by Western Union International. The DIP Facility is repayable on demand, and is secured by a charge over all of the Company's assets in priority to existing secured creditors. Western Union is a related party as outlined in Note 22.

11. Risk management contracts:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, operating and financial activities.

The Company may enter into derivative contracts to mitigate a degree of its exposure to commodity price risk and provide stability to operating cash flows. Such contracts may include commodity price contracts and fixed power contracts.

With the exception of one power contract, all risk management contracts expired as of December 31, 2015 and the remaining power contract was cancelled by the provider on April 15, 2016. At December 31, 2015, the power contract was recorded as a liability of $429,482. With the cancellation of the contract, the liability was reversed and an unrealized gain of $429,482 was recognized.

12. Decommissioning liabilities:

Balance at January 1, 2015	**$ 22,669,166**
Changes to estimate	1,468,114
Obligations settled	(19,270)
Accretion expense	431,757
Balance, December 31, 2015	**$ 24,549,767**
Changes to estimate	503,972
Obligations settled	-
Accretion expense	407,740
Balance, December 31, 2016	**$ 25,461,479**

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 $25,461,479 at December 31, 2016 (2015 - $25,549,767) based on an undiscounted total future liability of $33,253,350 (2015 - $33,829,539). These expenditures are expected to be incurred over the next 38 years with the majority of costs to be incurred between 2017 and 2055. A risk free rate of 1.66% (2015 – 1.90%) and an inflation factor of 2% were used to determine the decommissioning liability at December 31, 2016.

13. Convertible debenture:

6% redeemable convertible debenture

December 31	2016	2015
6% redeemable convertible debenture, at face value	**$4,000,000**	$4,000,000
Equity component, before deferred income taxes	**(606,526)**	(606,526)
Accretion	**459,948**	338,643
Balance	**$3,853,422**	$3,732,117

On March 14, 2013, in connection with an acquisition, the Company issued a $4 million principal amount convertible debenture. 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.

14. Income tax:

Reconciliation of effective tax rate:

Rate Reconciliation	2016	2015
Income (loss) before tax	**(11,785,758)**	(29,566,435)
Expected tax rate	**27.0%**	26.0%
Expected income tax expense (recovery)	**(3,182,155)**	(7,687,273)
Nontaxable gain on acquisition	**-**	(690,196)
Other	**1,262**	(293,922)
Change in unrecognized deferred tax assets	**3,180,893**	8,671,391
Total income tax expense (recovery)	**-**	-

The statutory tax rate increased from 26% to 27% due to an increase in the Alberta provincial tax rate effective July 1, 2015.

Deferred tax assets and (liabilities) are attributable to the following:

	2016	2015
Convertible debenture	**(39,576)**	(72,328)
Non-capital losses	**39,576**	72,328
Net deferred tax liability	**-**	-

14. Income tax (continued):

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

	2016	2015
Property, plant and equipment	2,944,446	11,507
Non-capital losses	50,400,617	41,930,622
Risk management contracts	-	429,482
Decommissioning Liabilities	25,461,479	24,549,767
Share issue costs and other	239,876	356,639
Total unrecognized deductible temporary differences	**79,046,418**	67,278,017

The Company has non-capital losses for income tax purposes totaling approximately $50 million. The losses expire between 2023 and 2034. The related tax benefits have only been recognized to the extent there are taxable temporary differences to offset with.

15.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**	**$**
Balance, December 31, 2015 & 2016	**496,871,120**	**46,706,177**

16. Share-based payments:

A summary of the status of the Company's stock option plan as December 31, 2016 and 2015, and changes during the period ending on those dates is presented below:

Options Outstanding	**Number of options**	**Weighted average exercise price $**
Balance, December 31, 2014	16,600,000	0.13
Expired	(13,100,000)	0.10
Balance, December 31, 2015	3,500,000	0.255
Expired	(3,500,000)	(0.255)
Balance, December 31, 2016	-	-

16. Share-based payments (continued):

The following table summarizes stock options outstanding and exercisable:

Options Exercisable					
Range of exercise prices	**Number outstanding at December 31, 2015**	**Expiry date**	**Weighted average exercise price**	**Number exercisable at December 31, 2015**	**Weighted average remaining contractual life**
$0.255	3,500,000	March 26, 2016	$0.255	3,500,000	0. 23years

No options were granted during the years ended December 31, 2016 and 2015.

17. Finance expenses:

	2016	2015
Interest on bank debt	**$ 390,654**	$533,437
Interest on other liabilities	**443,836**	236,368
Interest on debenture	**240,000**	240,000
Accretion of debenture	**121,305**	121,305
Accretion of decommissioning liabilities	**407,740**	431,757
Net finance expense	**1,603,535**	1,562,867

18. Per share amounts:

Basic loss per share was calculated as follows:

	2016	2015
Loss for the year	**$ 11,785,759**	$ 29,566,435
Weighted average number of common shares (Basic)	**496,871,120**	496,871,120

The warrants and convertible instrument are non-dilutive.

19. 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 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 interest partners and oil and natural gas marketers.

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 interest partners; however, the Company does have the ability to withhold production from joint interest partners in the event of non-payment.

19. Financial risk management (continued):

As at December 31, 2016 and 2015, the Company's trade and other receivables are comprised as follows:

	2016	2015
Oil and natural gas marketing companies	**1,300,811**	1,305,161
Joint interest partners	**375,770**	638,114
Allowance for doubtful accounts	**(147,082)**	(253,187)
	1,529,499	1,690,088

For the year ended December 31, 2016, bad debt expense of $255,875 (2015 - $23,477) is included as a component of impairments on the statement of loss and comprehensive loss.

(c) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. For reasons outlined in Note 2 to the financial statements, on May 6, 2016 the Company obtained creditor protection under the Companies' Creditors Protection Arrangement Act (CCAA). Pursuant to the provisions of CCAA, creditors are stayed from enforcing rights that they might otherwise have against the Company. The stay provides the Company the opportunity to restructure its financial affairs, re-establish liquidity and move forward as a viable going concern. The stay applies to all amounts outstanding as at May 6 2016, including payable and accruals, bank debt and the convertible debenture. The Company has targeted late June to early July, 2017 to conclude the CCAA process which would include, assuming creditor acceptance, the settlement of the amounts stayed as at May 3, 2016.

(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. Refer to note 11 for details regarding the Company's risk management contracts.

(e) Currency risk:

All sales are valued in Canadian dollar ($CAD). Prices for oil are determined in global markets and generally denominated in United States dollars ($US). 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 $CAD as compared to the $US will reduce the prices received by the Company for its petroleum and natural gas sales.

19. Financial risk management (continued):

(f) 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 on its bank debt which bears a floating interest rate and has not entered into any mitigating interest rate contracts.

(g) 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 and also world economic events that dictate the levels of supply and demand.

20. Commitments:

The Company has entered into a lease arrangement for office facilities that expires December 31, 2017. Annual base lease payments are $206,398.

21. Supplemental information:

a) Statement of Cash flows

Changes in non-cash working capital is comprised of

	2016	2015
Source of cash:		
Receivables	**160,589**	1,057,581
Deposit and prepaid expenses	**126,854**	265,195
Payables and accruals	**2,526,359**	(599,563)
	2,849,802	723,213
Related to operating activities	**2,849,802**	775,511
Related to investing activities	**-**	(52,298)

21. Supplemental information (continued):

b) 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.

Key management personnel compensation is comprised of the following:

	2016	2015
Salaries, director fees and other compensation	**$ 546,828**	$ 601,903
Short-term employee benefits	**11,007**	19,727
	$ 557,835	$ 621,630

No bonus amounts or share-based payments were made during 2015 or 2016.

22. Related party transactions:

The Company has entered into the following transactions with related parties:

a) LandOcean Energy Services Co., Ltd. ("LandOcean") and Western Union Petro (Canada) Technology Co., Ltd. ("Western Union"), a wholly owned subsidiary of LandOcean.

i. LandOcean 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. LandOcean has been tasked with (1) assessing the potential of the Company's oil and gas properties and preparing development plans for the properties; and (2) providing assistance to the Company's management in executing such plans. Specific projects, as summarized below, undertaken by LandOcean and Western Union were approved by the independent directors of the Company prior to the commencement of the project. The Company's management monitors and manages the work, and tracks all expenses against a budget approved by the directors for the project.

On April 8, 2013, the Company entered into an agreement ("the Agreement") with LandOcean whereby LandOcean 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.

22. Related party transactions (continued):

Pursuant to the Agreement, LandOcean will earn total compensation of $1,949,600 for technical services of which $976,880 has been earned to December 31, 2014. The Company charges technical costs incurred under the Agreement to petroleum and natural gas properties. Additionally, under the terms of the Agreement, $50,000 for travel, communication and management costs, were paid and expensed during 2013. At December 31, 2016, $392,000 was payable to LandOcean in relation to the Agreement.

ii. During 2014, the Company engaged Western Union, to complete various field projects including the initial stage of a water-flood project at Strathmore, Alberta. During the year total costs of $3,797,641 related to the various projects were incurred of which $2,982,046 excluding accrued interest charges remains payable at December 31, 2016. No work additional to that completed during 2014 is ongoing or anticipated with the above related entities.

iii. In May of 2016, Western Union Petro International Co. Ltd., a wholly owned subsidiary of Western Union made available to the Company a loan in the maximum of $2.5 million as outlined in Note 10.

b) During the year ended December 31, 2016, a consulting company, to which an officer of Anterra is related, charged the Company $33,812 (2015 - $101,256) for consulting services.

23. Subsequent event:

On May 6, 2016, pursuant to an order granted by the Court of Queen's Bench of Alberta, the Company obtained creditor protection under the Companies' Creditors Arrangement Act (Canada) (The "CCAA"). CCAA protection stays creditors and others from enforcing rights against Anterra and affords the Company the opportunity to restructure its financial affairs. The Company's restructuring process that commenced with the granting of CCAA protection in May, 2016 is ongoing and the Court has granted a series of extensions of the initial order, the most recent being granted on April 13 , 2017 which grants an extension until June 2, 2017.