ANTRIM ENERGY INC. Q1 2014

INTERIM FINANCIAL REPORT – FIRST QUARTER 2014

HIGHLIGHTS:

- **Agreement in February 2014 to sell UK subsidiary for $53 million plus assumption of certain liabilities (sale closed April 2014)**
- **Repayment in April 2014 of outstanding bank loan (Payment Swap) and oil hedge (Oil Swap) obligations**
- **Ongoing processing and interpretation of Skellig (Ireland) 3D seismic data**
- **Extension of period for submission of FDP for the Fyne Field**

MANAGEMENT’S DISCUSSION AND ANALYSIS

This management’s discussion and analysis (“MD&A”) provides a detailed explanation of Antrim Energy Inc.’s (the “Company” or “Antrim”) operating results for the three months ended March 31, 2014 compared to the same period ended March 31, 2013 and should be read in conjunction with the audited consolidated financial statements of Antrim for the year ended December 31, 2013. This MD&A has been prepared using information available up to May 12, 2014. The interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Unless otherwise noted all amounts are reported in United States dollars.

Non-IFRS Measures

Cash flow from operations, cash flow from operations per share and netback do not have standard meanings under IFRS and may not be comparable to those reported by other companies. Antrim utilizes cash flow from operations and netback to assess operational and financial performance to allocate capital among alternative projects and to assess the Company’s capacity to fund future capital programs.

Cash flow from operations is defined as cash flow from operating activities before changes in working capital. Cash flow from operations per share is calculated as cash flow from operations divided by the weighted-average number of outstanding shares. Reconciliation of cash flow from operations to its nearest measure prescribed by IFRS is provided below. Netback is the per unit of production amount of revenue less operating costs and the financial derivative and is used in capital allocation decisions and to economically assess projects.

Corporate

On February 7, 2014 the Company announced that it entered into an agreement to sell, subject to shareholder and regulatory approval, its Causeway, Kerloch and Cormorant East assets, structured as a sale of all of the issued and outstanding shares in the capital of Antrim Resources (N.I.) Limited ("ARNIL") for $53 million in cash, plus the assumption of certain liabilities and adjusted working capital, from which Antrim would settle on closing all outstanding obligations under its Payment and Oil Swap agreements. On April 24, 2014 the Company completed the sale of ARNIL and settled its outstanding obligations under its Payment and Oil Swap agreements.

Calculation of Cash Flow from Continuing Operations

	Three Months Ended March 31,	
	2014	**2013**
($000's)		
Cash flow provided by (used in) operating activities	762	(3,611)
Less: change in non-cash working capital	1,941	(243)
Cash flow used in operations	(1,179)	(3,368)

Overview of Continuing Operations

Fyne Licence
P077 Block 21/28a – Fyne, Antrim 100%

In late March 2013 the Company announced that it would not proceed with development of the Fyne Field using an FPSO. This followed a significant escalation of expected future development costs. The Company subsequently signed a joint development agreement with Enegi Oil Plc ("Enegi") and Advanced Buoy Technology ("ABTechnology") to undertake engineering studies and preparation of a Field Development Plan ("FDP") using buoy technology. The terms of the agreement include that there will be no costs to the Company prior to FDP approval. During the second half of 2013 and into 2014 Enegi-ABTechnology has worked with contractors to engineer the production facility for Fyne and an environmental statement was submitted to the UK Department of Energy and Climate Change ("DECC") during March 2014. Engineering work is now expected to continue during the summer with FDP approval to be sought prior to August 31, 2014. Upon approval of the FDP by DECC, Enegi-ABTechnology will earn the right to acquire 50% working interest in the licence. Antrim will remain operator.

DECC has agreed to amend the terms of the Fyne Licence to allow for a FDP for the Fyne Field to be submitted no later than August 31, 2014. DECC's consent to the amendment includes conditions, amongst other things, that the FDP submission is in its final form, the environmental statement is cleared, the Company is approved as a production operator, there is satisfactory evidence of project financing, and first production is achieved prior to November 25, 2016. If these conditions are not met, or if extensions from DECC are not obtained, the Fyne Licence could expire in accordance with its terms. The carrying value of the Fyne Licence at March 31, 2014 is $nil (December 31, 2013 - $nil).

Erne Licence

P1875 Block 21/29d – Erne, Antrim 50%

The Erne Licence started in January 2011 and is a Promote Licence with a drill-or-drop commitment. The Erne wells drilled in late 2011 met all the commitments on the Licence. A discovery was made with the 21/29d-11 well and also in the up-dip side-track 21/29d-11z well. These discoveries are not commercial on their own, but may be economic to develop as tie-backs to an adjacent Fyne production facility if that transpires. The initial four year term of the Licence expires in January 2015 at which time there is a requirement to relinquish 50% of the Licence area. The carrying value of the Erne Licence at March 31, 2014 is $nil (December 31, 2013 - $nil).

Ireland

Frontier Exploration Licence 1-13, Antrim 25%

Antrim acquired a Licensing Option in the 2011 Atlantic Margin Licensing Round which included Blocks 44/4, 44/5 (part), 44/9, 44/10, 44/14 and 44/15 covering an area of 1,409 km^2 (the "Skellig Block"). Antrim licensed, reprocessed and interpreted 2D seismic data over the blocks and identified a Cretaceous deep sea fan complex similar in seismic character to many of the recent Cretaceous oil discoveries offshore West Africa.

In April 2013, the Company farmed out a 75% interest in, and operatorship, of the Licensing Option to Kosmos Energy Ltd. ("Kosmos") in exchange for Kosmos carrying the full costs of a planned 3D seismic program within the licence area and re-imbursement to Antrim of a portion of the exploration costs incurred on the blocks to date. Antrim retained a 25% interest. The transaction was approved by the Department of Communications, Energy and Natural Resources of Ireland ("DCENR").

On July 15, 2013, DCENR approved the conversion of the Licensing Option to a Frontier Exploration Licence ("FEL"). FEL 1-13 has a 15 year term, with an initial three-year term followed by three four-year terms, following a mandatory 25% relinquishment of the Licensing Option area. The remaining licence area is 1,051.75 km^2.

The approved work programme for the initial three year term of the FEL involves acquisition of 3D seismic over the FEL area followed by seismic processing, interpretation and geological studies. Seismic acquisition commenced on July 10, 2013 and was completed by the end of September 2013. Processing and interpretation of the seismic data is in progress.

Overview of Discontinued Operations

Causeway Licences

Licence P201 Block 211/22a South East Area and P1383 Block 211/23d, Antrim 35.5%

Production from the Causeway Field averaged 1,209 gross barrels of oil per day ("bopd") (Antrim net 354 bopd) in the first quarter of 2014 compared to an average of 3,336 gross bopd (Antrim net 976 bopd) for the corresponding period in 2013. Production averaged 1,714 gross bopd (Antrim net 501 bopd) for the three months ended December 31, 2013. Until startup of the electric submersible pump ("ESP"), oil was produced in the first quarter of 2014 in cycles to allow for sufficient pressure buildup between cycles.

Contender Licence

P201 Block 211/22a Contender Area, Antrim 8.4%

Production from the Cormorant East Field has been constrained for mechanical reasons and averaged 275 gross bopd (Antrim net 23 bopd) in the first quarter of 2014 compared to 688 gross bopd (Antrim net 58 bopd) for the corresponding period in 2013. Production from the Cormorant East Field averaged 377 gross bopd (Antrim net 32 bopd) for the three months ended December 31, 2013.

Financial Discussion of Continuing Operations

	Three Months Ended March 31,	
	2014	**2013**
Financial Results ($000's except per share amounts)		
Cash flow used in operations [1]	(1,179)	(3,368)
Cash flow used in operations per share [1]	(0.01)	(0.02)
Net loss – continuing operations	(1,538)	(4,307)
Net loss per share – basic, continuing operations	(0.01)	(0.02)
Net loss	(8,461)	(2,853)
Net loss per share - basic	(0.05)	(0.02)
Total assets	91,865	91,836
Working capital (deficiency)	(5,072)	788
Capital expenditures – continuing operations	142	159
Common shares outstanding (000's)		
End of period	184,731	184,731
Weighted average – basic	184,731	184,731
Weighted average – diluted	184,731	185,336

(1) Cash flow from operations and cash flow from operations per share are Non-IFRS Measures. Refer to "Non-IFRS Measures" in Management's Discussion and Analysis.

Revenue

With the classification of Causeway to discontinued operations, the Company did not have any revenue in 2014 or 2013.

General and Administrative

General and administrative ("G&A") costs decreased to $1.2 million in the first quarter of 2014 compared to $1.4 million for the corresponding period in 2013. The decrease in G&A is primarily due to reduced employee compensation.

Exploration & Evaluation Expenditures

Exploration and evaluation ("E&E") expenditures decreased to $7 thousand in the first quarter of 2014 compared to $1.8 million for the corresponding period in 2013. The decrease in E&E expenditures is primarily related to less work on the development plan for the Fyne Licence.

Finance Costs

Finance costs were $13 thousand in the first quarter of 2014 compared to $0.7 million for the corresponding period in 2013. The decrease in finance costs is primarily related to fees in 2013 related to sourcing debt financing.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The Company did not pay or recover any taxes during the quarter ended March 31, 2014 (2013 – $nil).

The Company follows the liability method of accounting for income taxes. As at March 31, 2014, no deferred income tax assets were recorded due to uncertainty with respect to the ability of Antrim to generate sufficient taxable income to utilize the unrecognized losses.

Cash Flow and Net Loss from Continuing Operations

In the first quarter of 2014, Antrim generated a cash deficiency from continuing operations of $1.2 million compared to a cash deficiency from continuing operations of $3.4 million for the corresponding period in 2013. The cash flow deficiency decreased in 2014 due to lower general and administrative costs and E&E expenditures.

In the first quarter of 2014, Antrim had a net loss from continuing operations of $1.5 million compared to a net loss from continuing operations of $4.3 million for the corresponding period in 2013. Net loss decreased due to lower general and administrative costs and E&E expenditures.

Foreign Exchange and Comprehensive Income

The reporting currency of the Company is the US dollar. Effective January 1, 2013, the Company's UK operations have been accounted for as a US functional currency entity. A significant portion of the Company's activities are transacted in or referenced to US dollars, Canadian dollars or British pounds sterling. The Company's operating costs and certain of the Company's payments in order to maintain property interests are made in the local currency of the jurisdiction where the applicable property is located. As a result of these factors, fluctuations in the Canadian dollar, British pounds sterling and US dollar could result in unanticipated fluctuations in the Company's financial results.

The Company incurred a foreign exchange loss of $0.1 million in the first quarter of 2014 compared to a loss of $0.1 million for the corresponding period in 2013. The Company recognized other comprehensive loss of $16 thousand in the first quarter of 2014, compared to other comprehensive loss of $0.1 million for the corresponding period in 2013 related to foreign currency translation adjustments.

Financial Discussion of Discontinued Operations

Discontinued operations relate to the sale of Antrim's Causeway, Kerloch and Cormorant East assets structured as the sale of all of the issued and outstanding shares in ARNIL. On April 24, 2014 the Company completed the sale of ARNIL and settled its outstanding obligations under its Payment and Oil Swap agreements.

Revenue

The Company recorded revenue of $2.5 million in the first quarter of 2014 compared to $12.0 million for the corresponding period in 2013. Revenue decreased due to lower production. Revenue is recognized when title and risk transfer to the purchaser, which occurs at the time of lifting into a tanker at the Sullom Voe terminal. Under the contract with the sole UK purchaser, Antrim invoices and receives payment for its oil in the month after production; however, the purchaser retains certain rights impacting the timing of liftings which may result in no sales in a particular month resulting in deferred revenue.

Antrim's oil sales prices, before adjusting for Antrim's oil price commodity swaps, averaged $110.74 for the first quarter of 2014 compared to $114.21 for the corresponding period in 2013. The sales price for Causeway oil is calculated based on the monthly average price for Brent Ninian Blend, in the month subsequent to the month of production.

Production

The following table provides oil production and sales from the Causeway Field for the three months ended March 31, 2014 and 2013.

(Barrels)	Three Months Ended March 31, 2014	2013
Opening inventory (1)	75,236	74,000
Net production	31,828	86,943
Net sales	(22,362)	(104,995)
Processing and shrinkage	(1,161)	(1,024)
Ending inventory (1)	83,541	54,924

(1) Included in inventory is linefill and deadstock of 31,050 barrels

Production from the Causeway Field averaged 1,209 gross barrels of oil per day ("bopd") (Antrim net 354 bopd) in the first quarter of 2014 compared to an average of 3,336 gross bopd (Antrim net 976 bopd) for the corresponding period in 2013. Until startup of the ESP oil was being produced in the first quarter of 2014 in cycles to allow for sufficient pressure buildup between cycles.

Netbacks

The following table provides a comparative analysis of field netbacks, based on sales, for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31, 2014	2013
$/bbl		
Sales price	110.74	114.21
Financial derivative	(6.49)	(2.86)
Direct production and operating expenses	(43.58)	(12.03)
Netback	60.68	99.32

Direct production and operating expenses consist of operator, production platform and export terminal costs. Direct production and operating expenses decreased to $1.0 million from $1.3 million due to lower production from the Causeway Field partially offset by adjustments related to pipeline charges.

Depletion

Depletion expense was $0.8 million for the first quarter of 2014 compared to $7.1 million for the corresponding period in 2013. The depletion rate in the first quarter of 2014 was $37.75 per barrel compared to $67.19 per barrel for the corresponding period in 2013.

Finance Costs

Finance costs were $4.5 million for the first quarter of 2014 compared to $1.8 million for the corresponding period in 2013. The increase in finance costs is due to recognition in the first quarter of 2014 of $3.4 million relating to the increase in the present value at March 31, 2014 of the Payment Swap. Both the Payment Swap and Oil Swap were repaid in April 2014 as part of the sale of ARNIL. Remaining finance costs were lower in the first quarter of 2014 due to lower debt principal outstanding and non-recurring costs in 2013 relating to the debt financing.

Financial Derivative

The following table summarizes the commodity hedge outstanding as at March 31, 2014:

Derivative	Term	Volume bbl	Fixed price $/bbl
Oil Swap	April 2014 – December 2016	467,287	$81.21

The Company recorded a $3.1 million loss on the financial derivative in the first quarter of 2014 compared to a loss of $0.4 million for the corresponding period in 2013. The increase in loss on the financial derivative is due to recognition in the first quarter of 2014 of $2.6 million relating to the increase in the present value at March 31, 2014 of the Oil Swap.

Cash Flow and Net Loss from Discontinued Operations

In the first quarter of 2014 Antrim generated cash flow from discontinued operations of $1.1 million compared to a cash flow from discontinued operations of $10.3 million for the corresponding period in 2013. Cash flow from discontinued operations decreased due to the lower production and revenue from Causeway.

In the first quarter of 2014, Antrim had a net loss from discontinued operations of $6.9 million compared to net income from discontinued operations of $1.5 million for the corresponding period in 2013. The net loss increased primarily due to higher finance costs and lower production and revenue from Causeway.

Capital Expenditures Related to Discontinued Operations

Antrim incurred capital expenditures related to discontinued operations of $3.1 million in the first quarter of 2014 compared to $13.3 million for the corresponding period in 2013. Capital expenditures in 2014 primarily relate to ongoing development costs of the Causeway Licence.

Financial Resources, Liquidity and Going Concern

Antrim had a working capital deficiency at March 31, 2014 of $5.1 million compared to a working capital surplus of $0.8 million as at December 31, 2013. Without the reclassification of assets and liabilities held for sale, Antrim had a working capital deficiency at March 31, 2014 of $35.3 million compared to a working capital deficiency at December 31, 2013 of $24.0 million, including bank debt (after discount) of $20.3 million and financial derivative (after discount) of $10.5 million.

The sale of ARNIL in April 2014 resulted in the repayment and settlement of all outstanding obligations under the Company's bank debt and financial derivative. After commission and the payment of any change of control payments triggered by the completion of the ARNIL sale, Antrim estimates it will have working capital of approximately $17.1 million. The Company will also have limited contractual obligations and commitments as noted in the table below.

Contractual Obligations, Commitments and Contingencies

Antrim has several commitments in respect of its petroleum and natural gas properties and operating leases as at March 31, 2014 as follows:

	2014	2015	2016	2017	2018	Thereafter
($000's)						
Office Leases	175	244	244	227	10	-
Ireland	350	-	-	-	-	-
United Kingdom						
Continuing operations:						
Fyne (1)	34	34	34	-	-	-
Erne	14	-	-	-	-	-
	573	278	278	227	10	-
Assets held for sale:						
Causeway (2)	1,917	27	30	32	32	32
Cormorant East (2)	1,821	8	8	8	8	8
Total	4,311	313	316	267	50	40

(1) In March 2013, the Company decided not to proceed with development of the Fyne Field using an FPSO. The Company continues to hold the licence pending further evaluation using buoy technology.
(2) Subsequent to March 31, 2014 Antrim no longer has these commitments following the sale of ARNIL in April 2014.

Subsequent to March 31, 2014 Antrim is no longer involved with a claim by a drilling management services contractor for approximately $5 million in additional costs as this claim was retained by ARNIL as part of the ARNIL sale.

Subsequent Events

On April 24, 2014, the Company completed the sale of ARNIL for $53 million in cash plus the assumption of certain liabilities and adjusted working capital and settled its outstanding obligations under its Payment and Oil Swap agreements. The amounts paid in April 2014 to settle the Payment and Oil Swap obligations were $20.8 million and $10.9 million, respectively. After commission and the payment of any change of control payments triggered by the completion of the ARNIL sale, Antrim estimates it will have working capital of approximately $17.1 million.

Following completion of the ARNIL Sale, Antrim's Vice-President, Operations and Vice-President, Commercial resigned from the Company.

Outlook

With the ARNIL sale completed, Antrim has no debt and will be able to continue to operate as a going concern, engaged in the oil and gas business, with greater financial resources and an opportunity to further develop Antrim's remaining assets as well as greater opportunities to raise capital or seek other strategic alternatives, including a possible business combination, to maximize shareholder value.

In addition to further development of its remaining properties, Antrim continues to consider various international exploration opportunities where Antrim believes such opportunities will create value for Antrim's shareholders.

The Company has made an application for its common shares to be listed on the TSX Venture Exchange ("TSXV") and anticipates moving the listing of its common shares from the Toronto Stock Exchange to the TSXV by the end of May 2014.

Summary of Quarterly Results

($000, except per share amounts)	Revenue, Net of Royalties	Cash Flow Used in Operations	Net Income (Loss)	Net Income (Loss) Per Share - Basic
	(note 1)	(note 1)		
2014				
First quarter	-	(1,179)	(8,461)	(0.05)
2013				
Fourth quarter	-	(1,836)	(21,212)	(0.11)
Third quarter	-	(1,506)	(16,067)	(0.09)
Second quarter	-	(1,816)	930	0.01
First quarter	-	(3,368)	(2,853)	(0.02)
	-	(8,526)	(39,202)	(0.21)
2012				
Fourth quarter	-	(8,137)	(67,155)	(0.36)
Third quarter	-	(472)	(5,396)	(0.03)
Second quarter	-	(3,178)	(6,572)	(0.04)
First quarter	-	(1,601)	(55,421)	(0.30)
	-	(13,388)	(134,544)	(0.73)

1. Continuing operations only

Key factors relating to the comparison of net income (loss) for the first quarter of 2014 to previous quarters are as follows:

- In the fourth quarter of 2013, the Company recognized a $14.6 million impairment charge on assets to be disposed of (subject to shareholder approval);
- In the third quarter of 2013, the Company recognized a $12.1 million impairment charge with respect to delays and cost overruns for the Causeway Field;
- In the fourth quarter of 2012, the Company recognized a $50.4 million impairment charge related to the decision not to participate in further development of its 35.5% working interest in the Fionn Field, a $5.9 million impairment charge related to the abandonment of the Cyclone well 21/7b-4 and a $1.8 million impairment charge related to the West Teal Licence;
- In the third quarter of 2012, the Company recognized a $2.3 million impairment charge related to the planned relinquishment of Carra Licence P1563 Blocks 21/28b & 21/29c;
- The second quarter 2012 net loss was impacted by a $10 million reduction in the fair value of the Crown Point shares partially offset by a $5.9 million gain on the disposal of the Argentina assets;
- During the first quarter of 2012, net loss included $54.7 million in impairment costs related to the Fyne Licence, the Erne discovery well and the Erne sidetrack well.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Antrim has established disclosure controls, procedures and corporate policies so that its consolidated financial results are presented accurately, fairly and on a timely basis. The Chief Executive Officer and Chief Financial Officer have designed or have caused such internal controls over financial reporting to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS. The Company tested and evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting as at December 31, 2013. During this evaluation the Corporation identified a weakness due to the limited number of finance and accounting personnel at the Corporation dealing with complex and non-routine accounting transactions that may arise.

There were no changes in the Company's internal controls over financial reporting that occurred during the first three months of 2014 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting except for further limited segregation of duties which occurred in the quarter.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide reasonable but not absolute assurance that financial information is accurate and complete.

Risks and Uncertainties

The oil and gas industry involves a wide range of risks which include but are not limited to the uncertainty of finding new commercial fields, securing markets for existing reserves, commodity price fluctuations, exchange and interest rate costs and changes to government regulations, including regulations relating to prices, taxes, royalties, land tenure, allowable production and environmental protection and access to off-shore production facilities in the UK. The oil and natural gas industry is intensely competitive and the Company competes with a large number of companies that have greater resources.

Substantial Capital Requirements

The Company's ability to establish reserves in the future will depend not only on its ability to develop its present properties but also on its ability to select and acquire suitable exploration or producing properties or prospects. The acquisition and development of properties also requires that sufficient funds, including funds from outside sources, will be available in a timely manner. The availability of equity or debt financing is affected by many factors, many of which are outside the control of the Company. Recent world financial market events and the resultant negative impact on economic conditions have increased the risk and uncertainty of the availability of equity or debt financing.

Foreign Operations

A number of risks are associated with conducting foreign operations over which the Company has no control, including currency instability, potential and actual civil disturbances, restriction of funds movement outside of these countries, the ability of joint venture partners to fund their obligations, changes of laws affecting foreign ownership and existing contracts, environmental requirements, crude oil and natural gas price and production regulation, royalty rates, OPEC quotas, potential expropriation of property without fair compensation, retroactive tax changes and possible interruption of oil deliveries.

Further discussions regarding the Company's risks and uncertainties, can be found in the Company's Annual Information Form dated March 27, 2014 which is filed on SEDAR at www.sedar.com.

Forward-Looking and Cautionary Statements

This MD&A and any documents incorporated by reference herein contain certain forward-looking statements and forward-looking information which are based on Antrim's internal reasonable expectations, estimates, projections, assumptions and beliefs as at the date of such statements or information. Forward-looking statements often, but not always, are identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect", "targeting", "forecast", "achieve" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or be achieved and other similar expressions. These statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. Antrim believes that the expectations reflected in those forward-looking statements and information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements and information included in this MD&A and any documents incorporated by reference herein should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this MD&A or the particular document incorporated by reference herein and Antrim does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

In particular, this MD&A and any documents incorporated by reference herein, contain specific forward-looking statements and information pertaining to the quantity of and future net revenues from Antrim's reserves of oil, natural gas liquids ("NGL") and natural gas production levels. This MD&A may also contain specific forward-looking statements and information pertaining to Antrim's plans for exploring and developing its licences, including exploration of the Skellig block, the financial effect of the ARNIL Sale upon Antrim, commodity prices, foreign currency exchange rates and interest rates, capital expenditure programs and other expenditures, Antrim's financing arrangements, supply and demand for oil, NGLs and natural gas, expectations regarding Antrim's ability to raise capital, to continually add to reserves through acquisitions and development, the anticipated listing of the Company's common shares on the TSXV, the schedules and timing of certain projects, Antrim's strategy for growth, Antrim's future operating and financial results, treatment under governmental and other regulatory regimes and tax, environmental and other laws.

With respect to forward-looking statements contained in this MD&A and any documents incorporated by reference herein, Antrim has made assumptions regarding: Antrim's ability to obtain additional drilling rigs and other equipment in a timely manner, obtain regulatory and TSXV approvals, future oil and natural gas production levels from Antrim's properties and the price obtained from the sales of such production, the consideration received in the ARNIL Sale will not change materially as a result of post-closing adjustments, the level of future capital expenditure required to exploit and develop reserves, the ability of Antrim’s partners to meet their commitments as they relate to the Company and Antrim’s reliance on industry partners for the development of some of its properties, the general stability of the economic and political environment in which Antrim operates and the future of oil and natural gas pricing. In respect to these assumptions, the reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect.

Antrim's actual results could differ materially from those anticipated in these forward-looking statements and information as a result of assumptions proving inaccurate and of both known and unknown risks, including risks associated with the exploration for and development of oil and natural gas reserves such as the risk that drilling operations may not be successful, unanticipated delays with respect to the development of Antrim’s properties, operational risks and liabilities that are not covered by insurance, volatility in market prices for oil, NGLs and natural gas, changes or fluctuations in oil, NGLs and natural gas production levels, changes in foreign currency exchange rates and interest rates, the ability of Antrim to fund its capital requirements, Antrim’s reliance on industry partners for the development of some of its properties, risks associated with ensuring title to the Company’s properties, liabilities and unexpected events inherent in oil and gas operations, including geological, technical, drilling and processing problems, the risk that the consideration from the ARNIL Sale is reduced as a result of post-closing adjustments, the risk that additional change of control payments to employees of Antrim become payable as a result of the ARNIL Sale, the risk that the listing of the Company’s common shares on the TSXV is delayed for any reason, the risk of adverse results from litigation, the accuracy of oil and gas reserve estimates and estimated production levels as they are affected by the Antrim’s exploration and development drilling. Additional risks include the ability to effectively compete for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel, incorrect assessments of the value of acquisitions, Antrim's success at acquisition, exploitation and development of reserves, changes in general economic, market and business conditions in Canada, North America, the United Kingdom, Europe and worldwide, actions by governmental or regulatory authorities including changes in income tax laws or changes in tax laws, royalty rates and incentive programs relating to the oil and gas industry and more specifically, changes in environmental or other legislation applicable to Antrim's operations, and Antrim's ability to comply with current and future environmental and other laws, adverse regulatory rulings, order and decisions and risks associated with the nature of the Common Shares.

Many of these risk factors, other specific risks, uncertainties and material assumptions are discussed in further detail throughout this MD&A and in Antrim's Annual Information Form for the year ended December 31, 2013. Readers are specifically referred to the risk factors described in this MD&A under “Risk Factors” and in other documents Antrim files from time to time with securities regulatory authorities. Copies of these documents are available without charge from Antrim or electronically on the internet on Antrim's SEDAR profile at www.sedar.com. Readers are cautioned that this list of risk factors should not be construed as exhaustive.

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

In accordance with AIM guidelines, Mr. Murray Chancellor, C. Eng., MICE and Managing Director, United Kingdom for Antrim, is the qualified person that has reviewed the technical information contained in this MD&A. Mr. Chancellor has over 25 years operating experience in the upstream oil and gas industry.

Antrim Energy Inc.
Consolidated Balance Sheets
As at (unaudited)
(Amounts in US$ thousands)

	Note	March 31 2014	December 31 2013
Assets			
Current assets			
Cash and cash equivalents		**686**	1,082
Accounts receivable		**250**	184
Prepaid expenses		**438**	539
		1,374	1,805
Assets held for sale	3	**89,180**	88,842
Property, plant and equipment	4	**45**	64
Exploration and evaluation assets	5	**1,266**	1,125
		91,865	91,836
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**6,446**	1,017
		6,446	1,017
Liabilities held for sale	3	**60,863**	57,977
Decommissioning obligations	7	**4,180**	4,130
		71,489	63,124
Shareholders' equity			
Share capital	8	**361,922**	361,922
Contributed surplus		**21,668**	21,527
Accumulated other comprehensive income		**4,657**	4,673
Deficit		**(367,871)**	(359,410)
		20,376	28,712
Total Liabilities and Shareholders' Equity		**91,865**	91,836
Commitments and contingencies	12		
Subsequent event	14		

The accompanying notes are an integral part of the interim consolidated financial statements.

Antrim Energy Inc.
Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2014 and 2013 (unaudited)
(Amounts in US$ thousands, except per share data)

	Note	Three Months Ended March 31 2014	2013
Revenue		**-**	-
Expenses			
General and administrative		**1,237**	1,393
Depletion and depreciation	4	**17**	24
Share-based compensation	9	**141**	249
Exploration and evaluation	5	**7**	1,774
Finance income		**-**	(2)
Finance costs		**13**	733
Foreign exchange loss		**123**	136
Loss from continuing operations before income taxes		**(1,538)**	(4,307)
Income tax expense		**-**	-
Loss from continuing operations after income taxes		**(1,538)**	(4,307)
Income (loss) from discontinued operations	3	**(6,923)**	1,454
Net loss for the period		**(8,461)**	(2,853)
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		**(16)**	(75)
Other comprehensive income for the period		**(16)**	(75)
Comprehensive loss for the period		**(8,477)**	(2,928)
Net income (loss) per common share			
Basic and diluted- continuing operations	10	**(0.01)**	(0.02)
Basic and diluted - discontinued operations	10	**(0.04)**	0.01

The accompanying notes are an integral part of the interim consolidated financial statements.

Antrim Energy Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31, 2014 and 2013 (unaudited)
(Amounts in US$ thousands)

	Note	Three Months Ended March 31 2014	2013
Operating Activities			
Loss from continuing operations after income taxes		**(1,538)**	(4,307)
Items not involving cash:			
Depletion and depreciation	4	**17**	24
Share-based compensation	9	**141**	249
Accretion of decommissioning obligations	7	**11**	14
Foreign exchange loss		**190**	652
Changes in non-cash working capital items - continuing operations	11	**1,941**	(243)
Cash provided by (used in) operating activities - continuing operations		**762**	(3,611)
Cash provided by (used in) operating activities - discontinued operations		**1,055**	10,274
Cash provided by (used in) operating activities		**1,817**	6,663
Financing Activities			
Proceeds from long-term debt facility	6	**-**	30,000
Issuance costs on long-term debt facility		**-**	(1,423)
Payments on long-term debt facility	6	**(4,000)**	-
Financial derivative settlements	13	**(588)**	(293)
Cash provided by (used in) financing activities - discontinued operations		**(4,588)**	28,284
Investing Activities			
Capital expenditures		**(142)**	(159)
Change in restricted cash		**617**	(21,830)
Cash proceeds from disposal of assets	3	**5,000**	-
Cash used in investing activities - continuing operations		**5,475**	(21,989)
Cash used in investing activities - discontinued operations		**(3,051)**	(13,320)
Cash provided by (used in) investing activities		**2,424**	(35,309)
Effects of foreign exchange on cash and cash equivalents		**(49)**	(118)
Net decrease in cash and cash equivalents		**(396)**	(480)
Cash and cash equivalents - beginning of period		**1,082**	1,503
Cash and cash equivalents - end of period	13	**686**	1,023

The accompanying notes are an integral part of the interim consolidated financial statements.

Antrim Energy Inc.
Consolidated Statements of Changes in Equity
For the three months ended March 31, 2014 and 2013 (unaudited)
(Amounts in US$ thousands)

	Note	Number of Common Shares	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Income	Deficit	Total
Balance, December 31, 2012		184,731,076	361,922	20,626	4,656	(320,208)	**66,996**
Net loss for the period			-	-	-	(2,853)	**(2,853)**
Other comprehensive loss			-	-	(75)	-	**(75)**
Share-based compensation	9		-	317	-	-	**317**
Balance, March 31, 2013		**184,731,076**	**361,922**	**20,943**	**4,581**	**(323,061)**	**64,385**
Balance, December 31, 2013		**184,731,076**	**361,922**	**21,527**	**4,673**	**(359,410)**	**28,712**
Net loss for the period		-	**-**	**-**	**-**	**(8,461)**	**(8,461)**
Other comprehensive loss		-	**-**	**-**	**(16)**	**-**	**(16)**
Share-based compensation	9	-	**-**	**141**	**-**	**-**	**141**
Balance, March 31, 2014		**184,731,076**	**361,922**	**21,668**	**4,657**	**(367,871)**	**20,376**

The accompanying notes are an integral part of the consolidated financial statements.

1) Nature of Operations

Antrim Energy Inc. ("Antrim" or the "Company") is a Calgary based oil and natural gas company. Through subsidiaries, the Company conducts exploration activities in the United Kingdom and Ireland. Antrim Energy Inc. is incorporated and domiciled in Canada. The Company's common shares are listed on the Toronto Stock Exchange ("TSX") and the London Alternative Investment Market ("AIM") under the symbols "AEN" and "AEY", respectively. The address of its registered office is 1600, 333 – 7th Avenue S.W, Calgary, Alberta, Canada.

The Company entered into an agreement on February 7, 2014 to sell its UK subsidiary, Antrim Resources (N.I.) Limited ("ARNIL") for $53 million in cash, plus the assumption of certain liabilities and adjusted working capital, from which Antrim would settle on closing all outstanding obligations under its Payment and Oil Swap agreements. On April 24, 2014 the Company completed the sale of ARNIL and settled its outstanding obligations under its Payment and Oil Swap agreements (see note 3).

2) Basis of Presentation

a) Statement of compliance

These interim consolidated financial statements for the three months ended March 31, 2014 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2013. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as at May 12, 2014, the date the Board of Directors approved the interim consolidated financial statements.

b) Presentation currency

In these consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in United States ("US") dollars. The Company has adopted the US dollar as its presentation currency to facilitate a more direct comparison to North American oil and gas companies with international operations.

c) Critical accounting judgments and key sources of estimation uncertainty

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as at the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

Significant estimates and judgments used in the preparation of the financial statements are described in the Company's consolidated annual financial statements for the year ended December 31, 2013.

d) Changes in accounting policies

The interim consolidated financial statements are prepared on a historical cost basis except as detailed in the accounting policies disclosed in the Company's consolidated financial statements for the year ended December 31, 2013, except for the retrospective adoption of the following interpretation effective January 1, 2014:

International Financial Reporting Interpretation Committee 21 *Levies* clarified that an entity recognizes a liability for a levy when the activity that triggers payment occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarified that no liability should be anticipated before the minimum threshold is reached. The adoption of this interpretation did not have an impact to the Company's condensed interim consolidated financial statements.

3) Discontinued operations

The Company entered into an agreement (the "Agreement") on February 7, 2014 with First Oil Expro Limited ("FOE") pursuant to which, subject to the terms and conditions of the Agreement, FOE agreed to purchase from the Company (the "Transaction") all of the issued and outstanding shares in the capital of Antrim's UK subsidiary, Antrim Resources (N.I.) Limited ("ARNIL") for $53 million in cash, plus the assumption of certain liabilities and adjusted working capital, from which Antrim would settle on closing all outstanding obligations under its Payment and Oil Swap agreements. The economic date of the transaction was January 1, 2014 and a $5 million deposit was received in February 2014. On April 24, 2014 the Company completed the sale of ARNIL.

(Amounts in US$ thousands)

The major classes of assets and liabilities comprising the operations classified as held for sale at the balance sheet date are as follows:

	March 31 2014	December 31 2013
Assets held for sale		
Cash and cash equivalents	-	-
Restricted cash	6,070	6,687
Accounts receivable	1,432	3,512
Inventory and prepaid expenses	6,795	6,811
Property, plant and equipment	74,883	71,832
Exploration and evaluation assets	-	-
	89,180	88,842
Liabilities held for sale		
Accounts payable and accrued liabilities	9,528	10,472
Debt (note 6)	20,332	20,159
Financial derivative (note 13)	10,541	8,158
Deferred revenue	4,123	2,990
Decommissioning obligations	16,339	16,198
	60,863	57,977

The combined results of the discontinued operations which have been included in the consolidated statement of loss and comprehensive loss are as follows. The comparative period income and cash flows from discontinued operations have been reclassified to include those operations classified as discontinued in the current period:

	Three Months Ended	
	March 31 2014	March 31 2013
Discontinued operations		
Revenue	2,476	11,991
Expenses		
Direct production and operating expenditures	974	1,264
Depletion and depreciation	844	7,055
Finance costs	4,465	1,839
Loss on financial derivative	3,116	379
Income (loss) from discontinued operations	(6,923)	1,454

(Amounts in US$ thousands)

4) Property, plant and equipment

	March 31 2014	December 31 2013
Opening balance	64	81,069
Additions	-	23,590
Depletion and depreciation	(17)	(13,612)
Impairment	-	(26,540)
Changes in decommissioning estimate	-	7,393
Transferred from exploration and evaluation assets	-	-
Foreign currency translation	(2)	(4)
Reclassified to assets held for sale	-	(71,832)
Closing balance	45	64

During the period, the Company capitalized $nil (2013 - $61) of general and administrative costs and $nil (2013 - $35) of share-based compensation related to development activity.

In the third quarter of 2013, the Company recognized an impairment charge of $12.1 million related to Causeway following further delays in completing the Causeway electric submersible pump and water injection facilities together with additional significant capital cost overruns on the project. The Causeway CGU was written down to the estimated recoverable amount based on fair value less cost of disposal. The estimated fair value was determined using future cash flows adjusted for risks specific to the asset and discounted using an after tax discount rate of 15%.

At December 31, 2013, the Company assessed the carrying amount of its property, plant and equipment assets for indicators of impairment. For assets to be disposed of, the recoverable amount is fair value less costs of disposal rather than value in use. In 2014, the Company agreed to the sale of the Company's Causeway, Kerloch and Cormorant East assets to be structured as a sale of all of the issued and outstanding shares in Antrim's UK subsidiary, Antrim Resources (N.I.) Limited ("ARNIL") for $53 million in cash, plus the assumption of certain liabilities. In the fourth quarter of 2013, the Company recognized an impairment charge of $14.6 million with respect to the proposed transaction and assets to be disposed of.

(Amounts in US$ thousands)

5) Exploration and evaluation assets

	March 31 2014	December 31 2013
Opening balance	1,125	6,931
Additions	142	684
Changes in decommissioning estimate	-	475
Impairment	-	(7,006)
Transferred to property, plant and equipment	-	-
Foreign currency translation	(1)	41
Closing balance	1,266	1,125

Exploration and evaluation assets at December 31, 2013 relate to the Company's Ireland Frontier Exploration Licence. During the period, the Company capitalized $18 (2013 - $70) of general and administrative costs and $nil (2013 - $33) of share-based compensation related to exploration and evaluation activity.

In the third quarter of 2013, the Company recognized an impairment charge of $7,006 relating to the West Causeway licence as the licence was nearing the end of its exploration term.

6) Debt

	March 31 2014	December 31 2013
Opening balance	20,159	-
Additions	-	21,444
Payments	(4,000)	(5,350)
Interest on long-term debt	3,484	3,332
Amortization of transaction costs	689	733
Closing balance	20,332	20,159

In January 2013, the Company entered into a $30 million payment swap transaction ("Payment Swap") with a major financial institution. Under the terms of the transaction, $30 million was repayable in 29 instalments commencing September 2013 and concluding January 2016. To enable the Company to pay amounts under the payment swap the Company also entered into a Brent Oil Price Commodity Swap ("Oil Swap") to forward sell 657,350 barrels of Brent crude oil at an initial fixed price of $89.37 covering the period from February 2013 to December 2015. In December 2013 the fixed price was reduced to $81.21 per barrel in exchange for amendments to the Payment and Oil Swap (see note 13).

(Amounts in US$ thousands)

The estimated fair value of the credit-adjusted financial derivative on inception was $7,133. The payment swap was measured based on the present value of the cash received offset by the fair value of the financial derivative. The actual principal amount of bank debt outstanding at March 31, 2014 is $20,650 (December 31, 2013 - $24,650). The payment swap is accreted to its face value through a charge to earnings using the effective interest method at a discount rate of 24.3%. Transaction costs of $1,423 are amortized over the term of the contract.

On April 24, 2014 the Company completed the sale of ARNIL and settled its outstanding obligations under its Payment and Oil Swap agreements. The amount paid in April 2014 to settle the Payment Swap, including interest and other fees, was $20,795.

7) Decommissioning obligations

	March 31 2014	December 31 2013
Opening balance	4,130	10,270
Additions	-	759
Accretion	11	220
Change in estimate	-	8,056
Foreign currency translation	39	1,023
Reclassified to liabilities held for sale	-	(16,198)
Closing balance	4,180	4,130

At March 31, 2014, the estimated undiscounted decommissioning obligations are $4,309 (December 31, 2013 - $4,269). The undiscounted obligation is forecast to be payable in 2016.

The change in estimate in 2013 is primarily related to increased costs estimates for the reclamation of producing wells as well as water injection and suspended wells.

The present value of the decommissioning obligations has been calculated using a risk-free interest rate of 2.17% (2013 – 2.17%) and an inflation rate of 2.0% (2013 – 2.0%).

8) Share capital

Authorized
Unlimited number of common voting shares

Common shares issued	Number of Shares	Amount $
Balance, March 31, 2014 and December 31, 2013	**184,731,076**	**361,922**

(Amounts in US$ thousands)

9) Share-based compensation

The Company has a program whereby it may grant options to its directors, officers and employees to purchase up to 10% of the issued and outstanding number of common shares. The exercise price of each option is no less than the market price of the Company's stock on the date of grant. Stock option terms are determined by the Company's Board of Directors but options typically vest evenly over a period of three years from the date of grant and expire five years after the date of grant.

Share-based compensation for the three months ended March 31, 2014 was $141 (2013 – $317) of which $141 (2013 – $249) was expensed and $nil (2012 – $68) was capitalized.

The following table illustrates the number and weighted average exercise prices of and movements in share options under the option program during the period:

	Three Months Ended March 31, 2014		Three Months Ended March 31, 2013	
	# of options	Weighted average exercise price Cdn $	# of options	Weighted average exercise price Cdn $
Outstanding at beginning of period	7,575,000	0.67	12,350,065	0.98
Forfeited	-	-	(633,333)	0.62
Expired	-	-	(60,000)	3.21
Outstanding at end of period	7,575,000	0.67	11,656,732	0.99

10) Earnings per share

	Three Months Ended March 31 2014	Three Months Ended March 31 2013
Loss from continuing operations	(1,538)	(4,307)
Income (loss) from discontinued operations	(6,923)	1,454
Net loss for the period	(8,461)	(2,853)
Basic earnings per share was calculated as follows:		
Issued common shares	184,731,076	184,731,076
Effect of share options exercised	-	-
Weighted average number of common shares – basic	184,731,076	184,731,076
Diluted earnings per share was calculated as follows:		
Weighted average number of common shares – basic	184,731,076	184,731,076
Effect of outstanding options	-	605,304
Weighted average number of common shares – diluted	184,731,076	185,336,380
Basic and diluted loss (income) per common share		
From continuing operations	(0.01)	(0.02)
From discontinued operations	(0.04)	0.01
Total basic and diluted loss per share	(0.05)	(0.02)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

For the periods ended March 31, 2014 and 2013, all stock options were anti-dilutive and were not included in the diluted common share calculation.

11) Supplemental cash flow information

	Three Months Ended	
	March 31 2014	March 31 2013
(Increase)/decrease of assets:		
Trade and other receivables	2,013	(1)
Inventory and prepaid expenses	(734)	237
Increase/(decrease) of liabilities:		
Trade and other payables	662	(479)
	1,941	(243)
Cash and cash equivalents are comprised of:		
Cash in bank	686	1,023
Short-term deposits	-	-
	686	1,023

12) Commitments and contingencies

The Company has commitments in respect of its petroleum and natural gas properties and operating leases as follows:

	2014	2015	2016	2017	2018	Thereafter
($000's)						
Office Leases	175	244	244	227	10	-
Ireland	350	-	-	-	-	-
United Kingdom						
Continuing operations:						
Fyne (1)	34	34	34	-	-	-
Erne	14	-	-	-	-	-
	573	278	278	227	10	-
Assets held for sale:						
Causeway (2)	1,917	27	30	32	32	32
Cormorant East (2)	1,821	8	8	8	8	8
Total	4,311	313	316	267	50	40

(1) In March 2013, the Company decided not to proceed with development of the Fyne Field using an FPSO. The Company continues to hold the licence pending further evaluation using buoy technology.
(2) Subsequent to March 31, 2014 Antrim no longer has these commitments following the sale of ARNIL in April 2014.

Contingencies

In 2011, the Company entered into a variation to an existing contract for drilling management services in the UK North Sea which required the drilling of two wells, estimated to take 50 days in a letter of intent preceding the contract variation. The Company contends that it met its contractual obligations under this variation through the drilling of the Erne pilot well (21/29d-11) and the Erne sidetrack well (21/29d-11Z). The drilling of these two wells took place over a period of 58 days. Subsequent to releasing the rig, the Company received an invoice from the drilling management services contractor charging the Company for approximately $5 million in additional costs as the contractor claims all conditions of the contract had not yet been satisfied.

In July 2012, the drilling management services contractor filed a claim against the Company for the additional invoice costs plus interest and lost management time. The Company has filed a defence against this claim in the High Court of England and Wales and believes it is more likely than not that it will not have to pay. As a result, a contingent liability has not been recorded. Subsequent to March 31, 2014 Antrim is no longer involved with this claim as the claim was retained by ARNIL as part of the ARNIL sale.

13) Financial instruments and financial risks

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification. The classification categories, which depend on the purpose for which the financial instruments were acquired and their characteristics include held-for-trading, available-for-sale, held-to-maturity, loans and receivables, investments, and other liabilities. Except in very limited circumstances, the classification is not changed subsequent to initial recognition.

The Company's financial instruments consist of cash, cash equivalents, restricted cash, accounts receivable, accounts payable, debt and financial derivative. Cash and cash equivalents, restricted cash, and accounts receivable are classified as loans and receivables and are accounted for at amortized cost. Accounts payable are classified as other liabilities and are accounted for at amortized cost. Due to the short-term maturity of these financial instruments, fair values approximate carrying amounts. Debt is classified as other financial liabilities and is accounted for at amortized cost. The financial derivative is classified as a financial liability at fair value through profit or loss.

Financial risks

The Company is exposed to financial risks encountered during the normal course of its business. These financial risks are composed of credit risk, liquidity risk and market risk including commodity price and foreign currency exchange risks.

(Amounts in US$ thousands)

(a) Credit risk

The Company is exposed to the risk that its counterparties will fail to discharge their obligations to the Company on its cash, cash equivalents, accounts receivable and certain non-current assets.

Cash and cash equivalents and restricted cash are on deposit with reputable Canadian and international banks, and therefore the Company does not believe these financial instruments are subject to material credit risk. The Company sells all of its production to one oil and natural gas marketer and therefore is subject to concentration risk. Management does not believe that this concentration of credit risk will result in any loss to the Company based on past payment experience and its investment grade credit rating as established by independent credit rating agencies.

The Company's sales from discontinued operations in 2013 and 2014 were all to a single customer. Factors included in the assessment of accounts receivable for impairment are the relationship between the purchaser and the Company and the age of the receivable.

The extent of the Company's credit risk exposure is identified in the following table:

	March 31 2014	December 31 2013
Cash and cash equivalents	686	1,082
Accounts receivable	250	184
	936	1,266

The Company's credit risk exposure with respect to assets held for sale is identified in the following table:

	March 31 2014	December 31 2013
Cash and cash equivalents	-	-
Restricted cash	6,070	6,687
Accounts receivable	1,432	3,512
	7,502	10,199

(b) Liquidity risk

The Company is exposed to liquidity risk from the possibility that it will encounter difficulty meeting its financial obligations. The Company manages this risk by forecasting cash flows in an effort to identify future liabilities and arrange financing, if necessary. It may take many years and substantial cash expenditures to pursue exploration and development activities on all of the Company's existing undeveloped properties. Accordingly, the Company will need to raise additional funds from outside sources in order to explore and develop its properties. There is no assurance that adequate funds from debt and equity markets will be available to the Company in a timely manner.

(Amounts in US$ thousands)

As at March 31, 2014 the Company had a working capital deficiency of $5,072 compared to a working capital surplus of $788 as at December 31, 2013. The Company was also in breach at March 31, 2014 of certain covenants including its capex reserve and debt service cover ratio covenants. Subsequent to March 31, 2014 the Company completed the sale of ARNIL and settled its outstanding obligations under its Payment and Oil Swap agreements. The sale of ARNIL eliminated the working capital deficiency and reduced the Company's contractual obligations and commitments (see note 12).

(c) Market risk

Market risk consists of commodity price risk and foreign currency exchange risk.

Commodity price risk

Currently all of the Company's production revenue is from one property in the UK. Commodity price risk related to crude oil production represents a significant market risk exposure. Crude oil prices and quality differentials can be influenced by global supply and demand factors as well as political events, quotas imposed on members of the Organization of Petroleum Exporting Countries (OPEC) and weather.

At March 31, 2014, the Company had the following financial derivative contract:

Derivative	**Term**	**Undelivered Volumes Bbl**	**Fixed price $/bbl**	**Fair value $**
Oil Swap	April 2014 – December 2016	467,287	$81.21	10,541

For the three month period ended March 31, 2014 and year ended December 31, 2013 the financial derivative liability movements were:

	March 31 2014	**December 31 2013**
Opening balance	8,158	-
Additions	-	7,133
Settlements	(588)	(2,225)
Unrealized loss on financial derivative	2,971	3,250
Closing balance	10,541	8,158

On April 24, 2014 the Company completed the sale of ARNIL and settled its outstanding obligations under its Payment and Oil Swap agreements. The amount paid in April 2014 to settle the Oil Swap was $10,864.

(Amounts in US$ thousands)

Foreign currency exchange risk

The Company is exposed to fluctuations in foreign currency exchange rates as many of the Company's financial instruments are denominated in United States dollars, Canadian dollars and British pounds sterling ("£"). As a result, fluctuations in the United States dollar against the Canadian dollar and British pound sterling could result in unanticipated fluctuations in the Company's financial results. The Company seeks to minimize foreign exchange risk by holding cash and cash equivalents in United States dollars when not required in support of current operations.

Capital management

The Company's objective when managing its capital is to safeguard the Company's ability to continue as a going concern, maintain adequate levels of funding to support its exploration and development program, and provide flexibility in the future development of its business. The ability of the Company to successfully carry out its business plan is dependent upon the continued support of its shareholders, attracting joint venture partners, the discovery of economically recoverable reserves and the ability of the Company to obtain financing to develop reserves. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling assets, and controlling capital expenditure programs. The Company intends to fund its planned capital program through existing cash resources, debt and through cash generated from production at Causeway.

The Company's capital structure at March 31, 2014 consisted of cash and cash equivalents, bank debt and shareholders' equity. Shareholders' equity includes shareholders' capital, contributed surplus, and accumulated other comprehensive loss and deficit.

The capital structure of the Company consists of:

	March 31 2014	**December 31 2013**
Cash and cash equivalents	686	1,082
Shareholders' equity	20,376	28,712
	21,062	29,794

Current restrictions on the availability of credit may limit the Company's ability to access debt or equity financing for its development projects. The Company forecasts cash flows against a range of macroeconomic and financing market scenarios in an effort to identify future liabilities and arrange financing, if necessary. Although the Company may need to raise additional funds from outside sources, if available, in order to develop its oil and gas properties, the Company seeks to maintain flexibility to manage financial commitments on these assets.

Methods employed to adjust the Company's capital structure could include any, all or a combination of the following activities:

(i) Issue new shares through a public offering or private placement;
(ii) Issue equity linked or convertible debt;
(iii) Raise fixed or floating rate debt;
(iv) Sell or farmout existing exploration, development and producing assets.

14) Subsequent event

On April 24, 2014, the Company completed the sale of ARNIL for $53 million in cash plus the assumption of certain liabilities and adjusted working capital and settled its outstanding obligations under its Payment and Oil Swap agreements. The amounts paid in April 2014 to settle the Payment and Oil Swap obligations were $20.8 million and $10.9 million, respectively.

DIRECTORS

Stephen Greer
President and Chief Executive Officer,
Antrim Energy Inc.

Colin Maclean (2) (3) (4) (5)
Independent Director

Dr. Gerry Orbell (1) (3) (4) (5)
Chairman,
Antrim Energy Inc.

Erik Mielke
Independent Director

Jim Perry (1) (3) (4) (5)
President,
Alternative Fuel Systems business unit
IMPCO Technologies Canada, Inc.

Jim Smith (1) (2) (5)
Independent Director

Jay Zammit (2) (5)
Partner,
Burstall Winger LLP

(1) Member of the Audit Committee
(2) Member of the Compensation Committee
(3) Member of the Reserves Committee
(4) Member of the Exploration Committee
(5) Member of the Corporate Governance Committee

OFFICERS

Stephen Greer
President and Chief Executive Officer

Anthony Potter
Chief Financial Officer

Adrian Harvey
Corporate Secretary

STOCK EXCHANGE LISTINGS

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London Stock Exchange (AIM): Trading Symbol "AEY"

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The Company's website is not incorporated by reference in and does not form a part of this report.

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Calgary, Alberta

BANKERS

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AUDITORS

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INDEPENDENT ENGINEERS

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REGISTRAR AND TRANSFER AGENT

Inquiries regarding change of address, registered shareholdings, stock transfers or lost certificates should be direct to:

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