ANTRIM ENERGY INC. Q1 2016

INTERIM FINANCIAL REPORT – FIRST QUARTER 2016

HIGHLIGHTS

- Strong cash position, no debt, substantially lower G&A costs and limited financial commitments moving forward
- Obtain 100% interest in the highly prospective Skellig Block, Ireland (subject to finalization and government approval)
- Continue to evaluate M&A opportunities

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, 2016 compared to the same period ended March 31, 2015 and should be read in conjunction with the audited consolidated financial statements of Antrim for the year ended December 31, 2015. This MD&A has been prepared using information available up to May 24, 2016. 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 ("US") dollars.

Non-IFRS Measures

Cash flow used in operations and cash flow used in operations per share do not have standard meanings under IFRS and may not be comparable to those reported by other companies. Antrim utilizes cash flow from operations 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 used in operations is defined as cash flow used in operating activities before changes in working capital. Cash flow used in operations per share is calculated as cash flow used in operations divided by the weighted-average number of outstanding shares. Reconciliation of cash flow used in operations to its nearest measure prescribed by IFRS is provided below.

	Three Months Ended March 31	
($000's)	**2016**	**2015**
Cash flow used in operating activities	(984)	226
Less: change in non-cash working capital	40	(243)
Cash flow from (used in) operations	(1,024)	469

Excluding foreign exchange gains and losses, cash flow used in operations in the first quarter of 2016 was $0.3 million compared to $0.8 million for the corresponding period in 2015.

Overview of Operations

Corporate

Antrim, with its current cash resources, no debt and no decommissioning obligations, continues to maintain a strong financial position. Working capital at March 31, 2016 was US$9.2 million, including cash and cash equivalents of US$9.4 million.

Antrim continues to search for M&A opportunities, using a structured approach in its evaluation. Key criteria include strategic fit, focus on near term appraisal / development, use of funds, transformative potential with upside potential for Antrim shareholders and current or near term cash flow. In a period of significant commodity price volatility, ensuring that the opportunity remains viable in a low oil and gas price environment is a key component in the evaluation.

In Ireland, the Company has a 100% working interest in Frontier Exploration Licence ("FEL") 1/13, subject to finalization and government approval of the transfer of Kosmos Energy Ireland's ("Kosmos") interest to Antrim. Antrim was one of the first companies to realize the oil and gas potential in the southern Porcupine Basin. The Porcupine Basin is the conjugate basin to the eastern Canadian Orphan Basin/Flemish Pass area, where several significant oil discoveries have recently been made. Studies of these conjugate margins have demonstrated many similarities in terms of source rock, maturation, hydrocarbon migration, reservoir characteristics and trap formation.

The Company has identified two highly prospective Jurassic fault blocks and one Cretaceous submarine fan system in the FEL 1/13 licence, as well as numerous other leads. To move exploration of FEL 1/13 forward, Antrim is seeking to extend the first exploration phase of the licence as well as farm-out a portion of its interest in the licence to a new operator. In February 2016 the first round results of the Ireland 2015 Atlantic Margin Licensing Round were announced. In total, 14 new licensing options were awarded with successful participants including Eni, ExxonMobil, Statoil and BP, confirming very strong industry interest in this frontier exploration play. A second announcement of results from the licensing round is expected in May 2016.

Ireland
Frontier Exploration Licence ("FEL") *1/13, Antrim 100%*

In 2013, Kosmos farmed-in to Antrim's Licencing Option over the Skellig Block and acquired 75% interest in and operatorship of FEL 1/13 in exchange for carrying the full costs of a 3-D seismic programme and re-imbursement of a portion of Antrim's past exploration costs. Results from the subsequent 3-D seismic reinforced Antrim's interpretation based on 2-D seismic and strongly indicated the presence of Lower Cretaceous slope fan and channel deposits similar in geometry and seismic character to many of the recent Cretaceous oil discoveries offshore West Africa. The licence prospect inventory includes two tilted Jurassic fault blocks and a Cretaceous submarine fan, as well as several other leads.

In September 2015, Antrim was advised by Kosmos of its intention to withdraw from all of its licence interests in Ireland to focus on other recent discoveries in their African portfolio. The Company has applied for and anticipates obtaining at no further cost a 100% working interest in and operatorship of the licence, subject to finalization and government approval of the transfer of Kosmos interest in FEL 1/13 to Antrim.

FEL 1/13 has a 15 year term, with an initial three-year term followed by three four-year terms. The initial three-year term expires in early July 2016 and Antrim has submitted a request to extend the first exploration term by an additional two years pending government approval and agreement on an additional technical work program. The Company is also currently seeking a new farm-in partner and operator to complete any additional technical work necessary during the extension period with the ultimate goal that a well commitment could be made at the end of the revised first exploration phase. In the current commodity price environment the cost of drilling an exploration well on the licence has decreased considerably from when the licence was first awarded in 2013. As part of a farm-out transaction Antrim would seek a carry on the first exploration well.

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

United Kingdom (UK) Seaward Licences require licensees to permanently abandon all suspended wells prior to licence expiry. In the third quarter of 2015 the Company successfully permanently plugged and abandoned three suspended wells on the Fyne Licence and one suspended well on the Erne Licence in the UK Central North Sea. The well abandonment campaign was completed as part of a larger abandonment programme allowing Antrim to share certain common costs offering significant cost savings.

The Company is in discussion with the UK Oil and Gas Authority (OGA), formerly DECC, with respect to relinquishment and possible reapplication for the licence. The carrying value of the Fyne Licence at March 31, 2016 is $nil (December 31, 2015 - $nil).

Erne Licence

P1875 Block 21/29d – Erne, Antrim 100%

Previous discoveries on the Erne Licence are not commercial on their own, but may be economic to develop as tie-backs to an adjacent production facility if such a facility were available. Antrim's interest in the Erne licence increased to 100% after its partner withdrew from the licence following completion of the Erne well abandonment. The carrying value of the Erne Licence at March 31, 2016 is $nil (December 31, 2015 - $nil).

Financial Discussion of Operations

	Three Months Ended March 31	
($000's except per share amounts)	**2016**	**2015**
Financial Results		
Cash flow from (used in) operations [1]	(1,024)	469
Cash flow from (used in) operations per share [1]	(0.01)	0.00
Net income (loss)	(913)	461
Net income (loss) per share – basic	(0.00)	0.00
Total assets	11,130	15,784
Working capital	9,234	14,249
Capital expenditures	114	28
Common shares outstanding		
End of period	184,731	184,731
Weighted average – basic	184,731	184,731
Weighted average – diluted	184,731	184,731

(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.

General and Administrative

General and administrative ("G&A") costs decreased to $0.4 million in the first quarter of 2016 compared to $0.8 million for the corresponding period in 2015. The decrease in G&A is primarily due to lower salary and administrative expenses as part of the Company's ongoing efforts to reduce annual G&A.

A breakdown of G&A expense is as follows:

	Three Months Ended March 31	
($000's)	2016	2015
Wages and salaries	161	444
Occupancy	75	83
Administrative	183	250
Travel	4	-
	423	777

Exploration & Evaluation Expenditures

Exploration and evaluation ("E&E") expenditures were a recovery of $16 thousand in the first quarter of 2016 compared to an expense of $14 thousand for the corresponding period in 2015. The recovery relates to previous exploration expenditures in the UK less licence fees incurred in the current period.

Gain on Disposal of Assets

Gain on disposal of assets in the first quarter of 2016 includes $123 thousand related to an insurance claim for damaged office equipment. Proceeds from the claim were received in May 2016. Property, plant and equipment additions in the first quarter of 2016 relate to the acquisition of replacement equipment.

Income Taxes

The Company follows the liability method of accounting for income taxes. As at March 31, 2016, 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 Operations

In the first quarter of 2016 cash flow used in operations was $1.0 million compared to cash flow from operations of $0.5 million for the corresponding period in 2015. Cash flow used in operations increased due to a $0.6 million foreign exchange loss in the first quarter of 2016 as a result of a strengthening of in the value of the Canadian dollar relative to the US dollar. Excluding foreign exchange gains and losses, cash flow used in operations in the first quarter of 2016 was $0.3 million compared to $0.8 million for the corresponding period in 2015.

In the first quarter of 2016, Antrim had a net loss of $0.9 million compared to net income of $0.5 million for the corresponding period in 2015. Net loss increased due to foreign exchange losses in 2016 compared to foreign exchange gains in 2015.

Foreign Exchange and Other Comprehensive Income (Loss)

The reporting currency of the Company is the US dollar while 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. The Company's continuing activities in Canada, Ireland and United Kingdom are accounted for using the Canadian dollar, Euro and British pound sterling as the functional currency, respectively. As a result of these factors, fluctuations in these currencies relative to the US dollar could result in unanticipated fluctuations in the Company's financial results. The Company incurred a foreign exchange loss of $0.6 million in first quarter of 2016 compared to a gain of $1.2 million for the corresponding period in 2015.

The Company reported other comprehensive income of $0.7 million in first quarter of 2016, compared to other comprehensive loss of $1.2 million for the corresponding period in 2015. Other comprehensive income increased due to foreign currency translation adjustments.

Financial Resources and Liquidity

Antrim had a working capital surplus at March 31, 2016 of $9.2 million compared to a working capital surplus of $9.6 million as at December 31, 2015. Working capital decreased due to general and administrative expenses incurred in the period.

Contractual Obligations, Commitments and Contingencies

Antrim has several commitments in respect of its petroleum and natural gas properties and operating leases, including operating costs, as at March 31, 2016 as follows:

	2016	2017	2018	Thereafter
Office Leases	248	283	-	-
Ireland	-	-	-	-
United Kingdom				
Fyne	-	-	-	-
Erne	-	-	-	-
Total	248	283	-	-

FEL 1/13 in Ireland has a 15 year term, with an initial three-year term followed by three four-year terms. The initial three year term of the FEL expires in early July 2016 and under the licence terms the work program to extend the licence into the second term must include the drilling of an exploration well. Antrim has submitted a request to extend the first exploration term by an additional two years pending government approval and agreement on an additional technical work program.

Outlook

The Company has been examining various strategic alternatives, including potential business combinations, to maximize shareholder value. The Company has also been actively engaged in reviewing various options for its appraised, but undeveloped UK oil and gas assets. No assurance can be provided that from either of these initiatives a satisfactory opportunity will be identified and if one is identified, that a transaction could be closed on terms acceptable to the Company.

The Company has submitted an application to extend the first exploration term of its Ireland licence by an additional two years, pending government approval and agreement on an additional technical work program. The Company is also seeking a new farm-in partner and operator to complete any additional technical work necessary during the extension period to further de-risk the identified leads and prospects on the licence. No assurance can be provided that an extension or farm-out of the Ireland licence can be concluded in a timely manner on terms acceptable to the Company.

The Company continues to manage its general and administrative expenses, implementing where possible further cost reductions.

Summary of Quarterly Results

	Revenue, Net of Royalties	Cash Flow Provided By (Used In) Operations	Net Income (Loss)	Net Income (Loss) Per Share - Basic
2016				
First quarter	-	(1,024)	(913)	(0.00)
	-	(1,024)	(913)	(0.00)
2015				
Fourth quarter	-	(164)	(169)	(0.00)
Third quarter	-	(2,173)	736	0.00
Second quarter	-	(1,122)	812	0.00
First quarter	-	469	461	0.00
	-	(2,990)	1,840	0.01
2014				
Fourth quarter	-	(815)	(903)	(0.00)
Third quarter	-	(109)	(528)	(0.00)
Second quarter	-	(2,510)	(223)	(0.00)
First quarter	-	(1,179)	(8,461)	(0.05)
	-	(4,613)	(10,115)	(0.05)

Key factors relating to the comparison of net income for the first quarter of 2016 to previous quarters are as follows:

- In the first quarter of 2016, the Company recognized a $0.6 million foreign exchange loss as a result of an increase in the value of the Canadian dollar relative to the US dollar;
- In the third quarter of 2015, the Company recognized a $1.1 million foreign exchange gain as a result of a significant decrease in the value of the Canadian dollar relative to the US dollar;
- In the second quarter of 2015, the Company recognized a $1.7 million recovery of E&E costs following lower expected decommissioning obligations associated with signing the OIS contract in June 2015;
- In the first quarter of 2015, the Company recognized a $1.2 million foreign exchange gain as a result of a significant decrease in the value of the Canadian dollar relative to the US dollar;
- In the fourth quarter of 2014, the Company incurred $0.7 million in severance to an executive who exercised an option to voluntarily terminate employment upon closing of the ARNIL sale;
- In the second quarter of 2014, the Company recognized a $5.2 million gain on disposal of assets primarily with respect to the recognition in income of foreign currency translation adjustments previously included in accumulated other comprehensive income;
- In the first quarter of 2014, the Company incurred $7.6 million in finance costs and loss on financial derivative related to the Company's bank loan and oil hedge obligations;

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. The oil and natural gas industry is intensely competitive and the Company competes with a large number of companies that have greater resources.

<u>Substantial Capital Requirements</u>

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. World financial market events and the resultant negative impact on economic conditions, particularly with respect to junior oil and gas companies, 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, 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 and retroactive tax changes.

Further discussions regarding the Company's risks and uncertainties, can be found in the Company's Annual Information Form dated April 22, 2016 which is filed on SEDAR at www.sedar.com.

Forward-Looking and Cautionary Statements

This MD&A contains 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 should not be unduly relied upon. Such forward-looking statements and information speak only as of the date of this MD&A and Antrim does not undertake any obligation to publicly update or revise any forward-looking statements or information, except as required by applicable laws.

This MD&A may 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 anticipated increase of Antrim's working interest in the Skellig block to 100%, potential transactions, commodity prices, foreign currency exchange rates and interest rates, capital expenditure programs and other expenditures, supply and demand for oil, NGLs and natural gas, expectations regarding Antrim's ability to raise capital or pursue farm-out opportunities, to continually add to reserves through acquisitions and development, 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, Antrim has made assumptions regarding: Antrim's ability to obtain additional drilling rigs and other equipment in a timely manner, obtain regulatory approvals (including for the Skellig block), the consideration received in Antrim's sale of its Causeway asset will not change materially as a result of post-closing adjustments, the level of future capital expenditure required to exploit and develop resources 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 and the accuracy of oil and gas resource estimates 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, Ireland, 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, 2015. Readers are specifically referred to the risk factors described in this MD&A under "Risks and Uncertainties" 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.

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 26 years operating experience in the upstream oil and gas industry.

Antrim Energy Inc.
Condensed Interim Consolidated Balance Sheets
As at March 31, 2016 and December 31, 2015 (unaudited)
(Amounts in US$ thousands)

	Note	March 31 2016	December 31 2015
Assets			
Current assets			
Cash and cash equivalents		**9,417**	9,895
Restricted cash		**11**	12
Accounts receivable		**150**	49
Prepaid expenses		**76**	107
		9,654	10,063
Property, plant and equipment	3	**115**	6
Exploration and evaluation assets	4	**1,361**	1,307
		11,130	11,376
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**420**	446
		420	446
Shareholders' equity			
Share capital	5	**361,922**	361,922
Contributed surplus		**21,932**	21,930
Accumulated other comprehensive loss		**(4,546)**	(5,237)
Deficit		**(368,598)**	(367,685)
		10,710	10,930
Total Liabilities and Shareholders' Equity		**11,130**	11,376
Commitments and contingencies	10		

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

Antrim Energy Inc.

Condensed Interim Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2016 and 2015 (unaudited)
(Amounts in US$ thousands, except per share data)

	Note	Three Months Ended March 31 2016	2015
Revenue		-	-
Expenses			
General and administrative	8	**423**	777
Depletion and depreciation	3	**10**	3
Share-based compensation	6	**2**	(1)
Exploration and evaluation		**(16)**	14
Loss (gain) on disposal of assets		**(123)**	-
Finance and other income		**(7)**	(14)
Finance costs		**2**	8
Foreign exchange loss (gain)		**622**	(1,248)
Income (loss) before income taxes		**(913)**	461
Income tax expense		-	-
Net income (loss) for the period		**(913)**	461
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		**691**	(1,174)
Other comprehensive loss for the period		**691**	(1,174)
Comprehensive loss for the period		**(222)**	(713)
Net income (loss) per common share	7	**(0.00)**	0.00

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

Antrim Energy Inc.

Condensed Interim Consolidated Statements of Cash Flows
For the three months ended March 31, 2016 and 2015 (unaudited)
(Amounts in US$ thousands)

	Note	Three Months Ended March 31 2016	2015
Operating Activities			
Income (loss) after income taxes		**(913)**	461
Items not involving cash:			
Depletion and depreciation	3	**10**	3
Share-based compensation	6	**2**	(1)
Accretion of decommissioning obligations		**-**	6
Gain on disposal of assets		**(123)**	-
Change in non-cash working capital items	9	**40**	(243)
Cash provided by (used in) operating activities		**(984)**	226
Investing Activities			
Property, plant and equipment additions		**(114)**	-
Exploration and evaluation assets additions		**-**	(28)
Cash used in investing activities		**(114)**	(28)
Effects of foreign exchange on cash and cash equivalents		**620**	(1,274)
Net decrease in cash and cash equivalents		**(478)**	(1,076)
Cash and cash equivalents - beginning of period		**9,895**	15,420
Cash and cash equivalents - end of period		**9,417**	14,344

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

Antrim Energy Inc.

Condensed Interim Consolidated Statements of Changes in Equity
For the three months ended March 31, 2016 and 2015 (unaudited)
(Amounts in US$ thousands)

	Note	Share Capital	Contributed Surplus	Accumulated Other Comprehensive Loss	Deficit	Total
Balance, December 31, 2014		361,922	21,892	(2,837)	(369,525)	**11,452**
Net income for the period		-	-	-	461	**461**
Other comprehensive loss		-	-	(1,174)	-	**(1,174)**
Share-based compensation	6	-	(1)	-	-	**(1)**
Balance, March 31, 2015		**361,922**	**21,891**	**(4,011)**	**(369,064)**	**10,738**
Balance, December 31, 2015		**361,922**	**21,930**	**(5,237)**	**(367,685)**	**10,930**
Net loss for the period		-	-	-	**(913)**	**(913)**
Other comprehensive loss		-	-	**691**	-	**691**
Share-based compensation	6	-	**2**	-	-	**2**
Balance, March 31, 2016		**361,922**	**21,932**	**(4,546)**	**(368,598)**	**10,710**

The accompanying notes are an integral part of the condensed interim 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 Ireland and the United Kingdom. Antrim Energy Inc. is incorporated and domiciled in Canada. The Company's common shares are listed on the TSX Venture Exchange ("TSXV") and the London AIM 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.

2) Basis of Presentation

a) Statement of compliance

These condensed interim consolidated financial statements for the three months ended March 31, 2016 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, 2015. The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The policies applied in these condensed interim consolidated financial statements are based on IFRS issued and outstanding as at May 24, 2016, the date the Board of Directors approved the interim consolidated financial statements.

b) Presentation currency

In these condensed interim 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, 2015.

(Amounts in US$ thousands)

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, 2015.

3) Property, plant and equipment

	March 31 2016	December 31 2015
Opening balance	6	18
Additions	114	-
Depletion and depreciation	(10)	(11)
Foreign currency translation	5	(1)
Closing balance	115	6

4) Exploration and evaluation assets

	March 31 2016	December 31 2015
Opening balance	1,307	1,283
Additions	-	159
Foreign currency translation	54	(135)
Closing balance	1,361	1,307

Exploration and evaluation assets at March 31, 2016 and December 31, 2015 relate to the Company's Ireland Frontier Exploration Licence 1/13 (FEL 1/13). In 2015 the Company's joint venture partner relinquished its interest in the licence. The Company has submitted an application to extend the first phase of the licence for an additional two years and is seeking a new joint venture partner to participate in the licence. If the Company is not able to extend the licence and a qualified joint venture partner is not found to participate in the licence, the carrying value of the licence may be impaired and the exploration and evaluation costs written off to net earnings.

(Amounts in US$ thousands)

5) Share capital

Authorized
Unlimited number of common voting shares

Common shares issued	Number of Shares	Amount $
Balance, March 31, 2016 and December 31, 2015	184,731,076	361,922

6) 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, 2016 was $2 (2015 – recovery of $1).

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, 2016		Three Months Ended March 31, 2015	
	Number	Weighted average exercise price Cdn $	Number	Weighted average exercise price Cdn $
Outstanding - beginning of period	3,425,000	0.55	5,345,002	0.65
Granted	-	-	-	-
Forfeited	(170,000)	0.60	(800,002)	0.73
Expired	-	-	(290,000)	1.02
Outstanding - end of period	3,255,000	0.55	4,255,000	0.61

(Amounts in US$ thousands)

7) Earnings per share

	Three Months Ended March 31	
	2016	**2015**
Net income (loss) for the period	(913)	461
Basic earnings per share:		
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:		
Weighted average number of common shares – basic	184,731,076	184,731,076
Effect of outstanding options	-	-
Weighted average number of common shares – diluted	184,731,076	184,731,076
Basic and diluted income (loss) per common share	(0.00)	0.00

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

For the periods ended March 31, 2016 and 2015, all stock options were anti-dilutive and were not included in the diluted common share calculation.

8) General and administrative expenses

	Three Months Ended March 31	
	2016	**2015**
Wages and salaries	161	444
Occupancy	75	83
Administrative	183	250
Travel	4	-
	423	777

(Amounts in US$ thousands)

9) Supplemental cash flow information

	Three Months Ended March 31	
	2016	**2015**
(Increase)/decrease of assets:		
Trade and other receivables	30	54
Inventory and prepaid expenses	36	55
Increase/(decrease) of liabilities:		
Trade and other payables	(26)	(352)
	40	(243)

Cash and cash equivalents are comprised of:		
Cash in bank	1,417	4,644
Short-term deposits	8,000	9,700
	9,417	14,344

10) Commitments and contingencies

The Company has net commitments in respect of its petroleum and natural gas properties and operating leases, including operating costs, as at March 31, 2016 as follows:

	2016	2017	2018	Thereafter
Office Leases	248	283	-	-
Ireland	-	-	-	-
United Kingdom				
Fyne	-	-	-	-
Erne	-	-	-	-
Total	248	283	-	-

FEL 1/13 in Ireland has a 15 year term, with an initial three-year term followed by three four-year terms. The initial three year term of the FEL expires in early July 2016 and under the licence terms the work program to extend the licence into the second term must include the drilling of an exploration well. The Company has submitted a request to extend the first exploration term by an additional two years pending government approval and agreement on an additional technical work program.

(Amounts in US$ thousands)

11) 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 and accounts payable. 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.

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.

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

	March 31 2016	**December 31 2015**
Cash and cash equivalents	9,417	9,895
Restricted cash	11	12
Accounts receivable	150	49
	9,578	9,956

No accounts receivable are past due or considered impaired.

(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.

As at March 31, 2016 the Company's financial liabilities are due within one year.

(c) Market risk

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

<u>Commodity price risk</u>

At March 31, 2016 the Company had no outstanding commodity contracts.

<u>Foreign currency exchange risk</u>

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.

The Company's capital structure at March 31, 2016 consisted of cash and cash equivalents 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 2016	December 31 2015
Cash and cash equivalents	9,417	9,895
Shareholders' equity	10,710	10,930

Current restrictions on the availability of credit may limit the Company's ability to access debt or equity financing for its 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 farm-out existing exploration assets.

DIRECTORS

Stephen Greer (1) (3)
Chairman

Erik Mielke (1) (2) (3)
Independent Director

Jim Perry (1) (2) (3) (4)
Independent Director

Anthony Potter
Director
Antrim Energy Inc.

Jay Zammit (2) (4)
Partner,
Burstall Winger Zammit LLP

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

OFFICERS

Anthony Potter
President, Chief Executive Officer and 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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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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