ANTRIM
ENERGY INC.

2009
Annual Report

ANTRIM ENERGY INC.

CORPORATE GOVERNANCE

Antrim Energy is committed to transparent, accurate and sound corporate governance. Our governance system consists of high standards of corporate ethics and discipline, both essential for building and maintaining the confidence of all stakeholders. These elements, in addition to the support of the members of the Board of Directors, management, employees and shareholders, ensures compliance, full and fair disclosure and a goal of building on these fundamentals to implement best practices in support of the goals of our organization.

Antrim's Board of Directors is committed to a comprehensive corporate governance program consisting of mandates, policies and committees designed to uphold values of integrity. The Board is led by an independent chair with seven experienced and highly seasoned directors, five of which are independent. The Board is responsible for monitoring the company's ongoing strategic planning and assessing results to ensure that the stated goals are achieved.

The Board of Directors regularly meets with management to assess results relative to Antrim's strategic plans. The Board is also responsible for overseeing Antrim's business by providing efficient and valuable stewardship of its assets. The Fund's corporate policies and practices are consistent with National Policy 58 – 201, which provides guidance on governance practices.

Board Committees

The Board has established three committees for the purpose of discharging specific mandates in relation to the stewardship of the company. Each of the committees is comprised of independent board members. These are the Audit Committee, the Compensation Committee, and the Reserves Committee.

Audit Committee

The Audit Committee assists the Board by reviewing the financial reports and other financial information provided to the public, internal controls regarding finance and accounting, and providing general oversight of Antrim's accounting and financial reporting. The committee comprises three members, each of whom is financially literate and independent.

Members: Gerry Orbell, Jim Perry, Jim Smith

Compensation Committee

The Compensation Committee is responsible for developing appropriate compensation policies for senior management, including the Corporation's Stock Option Plan, evaluating senior management performance and, where appropriate, approving overall budget salary increases for employees, recommendations to the Board regarding compensation of officers other than the CEO, goals and objectives relevant to the CEO, and compensation disclosure in the information circular.

Members:, Colin Maclean, Jim Smith, Jay Zammit

Reserves Committee

The Reserves Committee is responsible for reviewing the selection of an independent evaluator for undertaking each reserves evaluation as required from time to time, considering and reviewing the impact of changing independent evaluators, and reviewing all matters relating to the preparation and public disclosure of estimates of reserves.

Members: Colin Maclean, Gerry Orbell, Jim Perry

ANTRIM ENERGY INC.

DIRECTORS' BIOGRAPHIES

Gerry Orbell, Ph.D
Chairman

Gerry Orbell is a petroleum geologist with more than 30 years of international experience. He is Executive Chairman of Sound Oil plc, a public company listed on the London AIM. Previously, he was Executive Director, Exploration and Production, Premier Oil, plc, where he was responsible for the worldwide oil and gas exploration and production program. From 1983 to 1992, he served in various management roles with Fina Development Ltd. and Fina Exploration, including Director of Oil Exploration and Production. Dr. Orbell holds a Ph.D in geology from University College, London University and has been a member of the American Association of Petroleum Geologists since 1975. He is a board member with two private oil and gas companies and a director and chairman of the Audit Committee of Valpk Ltd. in the United Kingdom.

Stephen Greer
President and Chief Executive Officer
Antrim Energy Inc.

Stephen Greer has been President and Chief Executive Officer of Antrim Energy since 1999. Previously, he was Chairman and Managing Director of Antrim International, a predecessor company, and President of Antrim Resources Inc., a private oil and gas company. Mr. Greer has over 25 years of petroleum exploration experience and a technical background in oil and gas exploration. He holds a M.Sc. degree in geology from the University of Witwaterrand in Johannesburg, South Africa.

Jay Zammit
Director

Jay Zammit is a partner with Burstall Winger LLP. He attended the University of Manitoba and received a B. Comm. (Finance) degree in 1982, after which he served as a consultant to the International Air Transport Association. Mr. Zammit obtained a LL.B. degree in 1987 from the University of Manitoba and was admitted to the Alberta bar in 1988. He was seconded to the Alberta Securities Commission in 1989. His preferred areas of practice are corporate finance and commercial law. Mr. Zammit has advised on various public and private financings, as well as trusts, funds, mergers and acquisitions, shareholder disputes and strategic relationships. He has served on the executive of the Business Law Subsection of the Canadian Bar Association for several years.

Jim Perry
Director

Jim Perry is currently President and Chief Executive Officer, and a director of Alternative Fuel Systems (2004) Inc., a TSX-venture listed company. Prior to joining AFS, he served as President and a director of Global Thermoelectric Inc., as President of Computalog Ltd. and of Schlumberger of Canada. Mr. Perry is a registered professional engineer in the Province of Alberta, and holds a mineral engineering degree from the University of British Columbia.

Brian Moss
Executive Vice President, Latin America
Antrim Energy Inc.

Dr. Moss has over 30 years international and domestic oil and gas experience. Dr. Moss serves as Chairman of the Board for Richards Oil & Gas Ltd. and was Chief Operating Officer, Compass Petroleum Partnership. Dr. Moss has previously served as President and CEO of Los Altares Resources Ltd., Vice-President for AEC, Latin America and Argentina, Rio Alto Exploration Ltd. and Rio Alto Resources International Inc. Dr. Moss received a Ph.D., and Diploma in Petroleum Geology from the Royal School of Mines, Imperial College of Science & Technology, University of London, in 1974. Dr. Moss is a registered professional geologist in the Province of Alberta.

Colin Maclean
Independent Director

Mr. Maclean currently serves as a Non-Executive Director. He has over 30 years of international oil and gas experience. Prior to joining Antrim, Mr. Maclean held various leadership roles, at BP Plc. In the United Kingdom, he was responsible for the development of and production from several North Sea fields. Internationally, he was responsible for the restructuring of several refinery, petrochemicals and pipeline units where he was instrumental in returning those business units to profitability. Mr. Maclean has an honours degree in Geology from the Queen's University of Belfast and a Diploma in International Business Administration from the Institut Européen d'Administration des Affaires (INSEAD), one of the world's leading business schools. He has served as Director, Brisbane Economic Development Council and was Chairman, Falkirk Community Stadium Development Ltd. He was also appointed by the Governor of Indiana "Sagamore of the Wabash" for his services in Tax Reform there. Mr. Maclean is also a Director of Scottish Futures Trust, a company wholly-owned by Scottish Parliament Ministers.

Jim Smith
Independent Director

Mr. Smith is a seasoned business executive with over 35 years of experience in management functions, primarily in financial and administrative areas. He has been involved with the oil and gas industry in Canada since 1983 and has worked as a Vice-President at major companies such as Amoco Canada, Crestar Energy and Dome Petroleum. He was Chief Financial Officer of Crestar Energy Inc. from its formation in 1992, through its public offering in 1993 until 1998. From 1998 to 2006, he acted as chief financial officer and/or consultant to several small oil and gas companies and delivered professional development courses for Chartered Accountants in Alberta, British Columbia, Manitoba and Saskatchewan. He is also a director of Penn West Petroleum Ltd., Pure Energy Services Ltd. and Midway Energy Ltd. Mr. Smith is a Chartered Accountant and holds a Bachelor of Arts degree from University of Toronto. He has also completed the Program for Senior Executives at Massachusetts Institute of Technology.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-Looking 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 quality 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 commodity prices, foreign currency exchange rates and interest rates, capital expenditure programs and other expenditures, supply and demand for oil, NGL's and natural gas, expectations regarding Antrim's ability to raise capital, 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 and the start up of production from the Causeway or Fyne fields in the UK North Sea.

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 finalize the sale of a portion of Causeway to Valiant, obtain access to sub-sea or floating facilities including transportation and production storage offloading providers in the UK North Sea for production from Fyne and Causeway, obtain additional drilling rigs and other equipment in a timely manner, obtain regulatory approvals, timing of completion of the pipeline across the Straits of Magellan, future oil and natural gas production levels from Antrim's properties and the price obtained from the sales of such production, 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 more specifically the ability of Valiant to honour its commitments are identified in the Conditional Letter Agreement. Antrim's ability to obtain financing on acceptable terms, 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, 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 substantial capital requirements and operations, 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 accuracy of oil and gas reserve estimates and estimated production levels as they are affected by the Antrim's exploration and development drilling and estimated decline rates, in particular the future production rates at the Causeway and Fyne fields in the UK North Sea and at the Tierra del Fuego properties in Argentina. 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, Argentina, South 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 to the capped market price in Argentina, 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.

Statements relating to "resources" and are deemed to be forward-looking statements. The estimates of remaining recoverable prospective resources have been risked for chance of discovery, but have not been risked for chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

Many of these risk factors, other specific risks, uncertainties and material assumptions are discussed in further detail throughout the MD&A and in Antrim's management discussion and analysis for the year ended December 31, 2009. 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. Kerry Fulton, P. Eng and Vice President, Operations for Antrim, is the qualified person that has reviewed the technical information contained in this MD&A.

Non-GAAP Measures

Cash flow from operations, cash flow from operations per share and netback do not have standard meanings under generally accepted accounting principles ("GAAP") and may not be comparable to those reported by other companies. Antrim utilizes cash flow from operations and net back 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 GAAP is provided below.

Calculation of Cash Flow from Operations

	Three Months Ended December 31		Year Ended December 31	
	2009	**2008**	**2009**	**2008**
$				
Cash flow from (used in) operating activities	96,454	(247,695)	(1,082,261)	778,847
Increase (decrease) in non-cash working capital	(1,474,670)	(784,441)	15,088	(472,130)
Cash flow (deficiency) from operations	(1,378,216)	(1,032,136)	(1,067,173)	306,717

Overview

Oil and gas revenue increased to $13.0 million for the year ended December 31, 2009 compared to $12.0 million for the same period in 2008. Revenue increased as a result of higher gas production and gas prices received offset by lower oil production and oil prices received. Antrim incurred a cash flow from operations deficiency of $1.1 million in 2009 compared to cash flow of $0.3 million in 2008. Cash flow decreased due to higher operating costs and lower interest and other income offset by higher revenue and lower general and administrative costs. Production in Argentina increased to 1,840 barrels of oil equivalent per day ("boepd") from 1,411 boepd in 2008.

In the United Kingdom, total proved plus probable reserves increased 5.7% from 26.2 million barrels of oil equivalent ("boe") in 2008 to 27.7 boe (net to Antrim) as at December 31, 2009. Fyne and Dandy total proved plus probable reserves increased to 17.5 million boe as at December 31, 2009 compared to 16.0 million boe in 2008 due to seismic re-interpretation. The Fyne and Dandy fields now represent 47.1% of the Company's total proved plus probable reserves as at December 31, 2009. Causeway total proved plus probable reserves remained unchanged at 10.2 million boe (net to Antrim).

On March 4, 2010, Antrim announced the signing of a Conditional Letter Agreement ("CLA") with Valiant Petroleum plc ("Valiant") to sell a 30% interest in Causeway. Antrim will receive up to a $21.75 million carried contribution towards the development costs of bringing the field to production start-up. The UK reserves previously described do not reflect the impact of this sale.

In Argentina, the total proved plus probable reserves decreased by 4.4% to 9.4 million boe as at December 31, 2009 compared to 9.9 million boe in 2008 (net to Antrim). This reduction was primarily due to 2009 production.

United Kingdom

Fyne Field

The divestiture of an interest in Causeway in March 2010 allows Antrim to concentrate on the development of its core UK asset, the Fyne Area located in the central North Sea in block 21/28a. In addition to the 17.5 million barrels of proved plus probable reserves in the Fyne licence, Antrim holds 100% interest in three adjacent licences (total of four blocks) comprising the Greater Fyne Area. Antrim's strategy in this core area is to accelerate its development by working closely with industry partners. Antrim is in discussions with several potential industry partners to accelerate the development of the Fyne and Greater Fyne areas.

Antrim is currently in discussion with floating production storage and offloading ("FPSO") providers as well as local existing infrastructure owners to select the most efficient production export route for the Fyne Field. An FPSO pre-qualification process has been conducted and engineering studies are being undertaken for an alternative subsea tieback scheme to nearby third party infrastructure. The production system is being engineered to handle up to 20,000 barrels of oil per day ("bopd") directly from the Fyne Field, with potential capacity add-ons to handle additional volume from the satellite fields.

Antrim intends to select the optimum development scheme and produce a Field Development Plan ("FDP") for submission in late 2010.

In addition to the Fyne development, Antrim is maturing drilling prospects on its surrounding licences (the 'Greater Fyne Area', Antrim 100%) with a view to drilling in 2011. These licences hold a best estimate of 54.9 million barrels recoverable prospective resources with a range of 29.7 million barrels (low estimate) to 105.5 million barrels (high estimate). These prospective resources have been risked for chance of discovery but not for chance of development. If a discovery is made, there is no certainty that it will be developed, or if it is developed, there is no certainty as to the timing of such development. The prospective resources referenced herein were estimated by Mr. Terry Lederhouse, P. Eng., Vice President, Commercial of the Company. Mr. Lederhouse is a qualified reserves evaluator within the meaning of NI 51-101, but he is not independent in respect of the Company within the meaning of NI 51-101. The estimates were prepared in accordance with the procedures contained in the Canadian Oil and Gas Evaluation Handbook.

Causeway Field

Antrim has signed a Conditional Letter Agreement with Valiant Petroleum plc to sell a 30% interest in Causeway. In return, Antrim will receive up to $21.75 million contributed to the development costs of bringing the field to production startup. Completion of the transaction is subject to several conditions, including sanction of the FDP and the consent of the UK Department of Energy and Climate Change ("DECC"). As part of the transaction, Antrim will transfer related tax losses and operatorship of the field. Valiant will endeavor to finalize a revised FDP with respect to the development of the Causeway Field for submission to DECC during 2010. Following completion of the transaction, Antrim will retain a 35.5% working interest in the Causeway Field.

Argentina

Antrim's interest in Argentina has shifted with a greater focus on its core assets in Tierra del Fuego (Antrim 25.78%). An eight well drilling program in Tierra del Fuego, designed to increase gas and NGL production from the Los Flamencos gas field, commenced in late February 2010. The first well has been drilled and cased as a potential gas well with 50 feet of gross pay.

The Company has applied for "Gas Plus" pricing incentives for new gas that will be produced from the wells to be drilled in 2010. If approved by the federal authorities, this will permit Antrim to sell its gas in the higher-priced industrial market on the mainland.

Additional export capacity from the Tierra del Fuego area is anticipated later this year with the completion of a 600 million cubic feet per day capacity gas pipeline across the Straits of Magellan that will tie into the national gas network accessing the high demand Buenos Aires Province. Antrim, as part of a larger Tierra del Fuego consortium of companies, has contributed to the construction of the new pipeline through the purchase of interest bearing bonds.

As announced on March 4, 2010, Antrim has sold its non-operated 40% working interest in Puesto Guardian effective January 1, 2010, for consideration in the form of a $1.4 million non-interest bearing promissory note. The Puesto Guardian Field was reaching the end of its economic life and the purchaser will retain responsibility of all abandonment and environmental remediation work on the concession.

Effective February 25, 2010, Antrim relinquished its non-operated 70% working interest in Medianera and its non-operated 70% working interest in Tres Nidos Sur. Medianera production, as previously reported, was shut-in in February 2009. Well abandonment and seismic and drilling obligations on the properties have been assumed by the operator of both concessions.

Financial and Operating Results

All amounts reported in this MD&A related to the three month periods ended December 31, 2009 and 2008 are unaudited.

	Three Months Ended December 31		Year Ended December 31	
	2009	**2008**	**2009**	**2008**
Financial Results ($000's except per share amounts)				
Revenue	3,371	2,651	12,953	12,034
Cash flow (used in) from operations	(1,378)	(1,032)	(1,067)	307
Cash flow (used in) from operations per share	(0.01)	(0.01)	(0.01)	0.00
Net (loss)	(6,071)	(7,152)	(12,560)	(13,031)
Net (loss) per share – basic	(0.04)	(0.05)	(0.09)	(0.10)
Total assets	285,119	271,361	285,119	271,361
Working capital	31,960	35,267	31,960	35,267
Expenditures on petroleum and natural gas properties	(548)	5,970	4,782	91,161
Debt	-	-	-	-
Common Shares Outstanding (000's)				
End of period	135,349	135,322	135,349	135,322
Weighted average – basic	135,291	135,054	135,284	125,775
Weighted average – diluted	136,041	135,054	136,034	125,775
Production				
Oil, natural gas and NGL production (boe per day) (1)	1,990	1,391	1,840	1,411

(1) The 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.

Financial and Operating Review

Oil, Natural Gas and NGL Revenue and Production

Revenue

Revenue from the sale of oil, natural gas and NGL for the three month periods and year ended December 31, 2009 and 2008 consisted of the following:

	Three Months Ended December 31		Year Ended December 31	
	2009	2008	2009	2008
($000's)				
Oil	1,888	1,834	8,007	9,074
Natural gas	1,353	800	4,572	2,137
NGL's	130	17	374	823
Total Oil, Natural Gas and NGL Revenue	3,371	2,651	12,953	12,034

Revenue increased in the fourth quarter of 2009, as compared to the same period in 2008, due to the sale of oil inventory from the third quarter, higher gas prices and gas production partially offset by lower oil production. In the year ended December 31, 2009, as compared to the same period in 2008, revenue increased because of higher gas production and prices received offset by lower oil and NGL production and prices.

The sale of crude oil from Tierra del Fuego can be impacted by intermittent shipments. Oil production from Tierra del Fuego is stored and periodically transported by ship to a refinery on the mainland. As at December 31, 2009, Antrim held 19,000 (2008 – 28,500) barrels of oil in inventory, the majority of which related to Tierra del Fuego.

Net revenue after royalties and export taxes increased to $11.1 million for the year ended December 31, 2009 compared to $10.3 million for the same period in 2008. For the three months ended December 31, 2009, net revenue after royalties and export taxes was $2.8 million, compared to $2.3 million for the same period in 2008.

Production

The following table provides a comparative analysis of average daily production of oil, natural gas and NGL for the three periods and year ended December 31, 2009 and 2008.

	Three Months Ended December 31		Year Ended December 31	
	2009	2008	2009	2008
Oil (bbl/day)	512	563	530	603
Natural gas (mmcf/day)	8,480	4,822	7,542	4,535
NGL (bbl/day)	65	24	53	52
Total Production (boe/day)	1,990	1,391	1,840	1,411

Gas production increased in the three month period and year ended December 31, 2009, as compared to the same periods in 2008, due to the 2008 successful drilling program in Tierra del Fuego and well tie-ins into the San Martin pipeline. For both the three and twelve months ended December 31, 2009, the decrease in oil production was due to the shut-in of Medianera production in February 2009 combined with natural decline of the Puesto Guardian and Tierra del Fuego oil wells.

Oil prices averaged $39.89 per barrel in the year ended December 31, 2009 compared to $43.44 per barrel in 2008. For the fourth quarter 2009, oil prices averaged $44.46 per barrel compared to $44.02 for the same period in 2008.

Oil production from both the Puesto Guardian and Tierra del Fuego concessions is sold with reference to the price of West Texas Intermediate ("WTI") crude oil less a quality discount. Domestic oil sales are subject to a mandated discount which increases as the price of the WTI crude oil increases. In November 2007, changes to the export tax effectively limited the maximum price that producers could receive for crude oil exports to $42 per barrel, regardless of the price of WTI. The application of the mandated discount on domestic oil sales results in a similar ceiling, after quality adjustments, in the domestic market.

Antrim's gas sales prices in Argentina averaged $1.63 and $1.53 per mcf in the three and twelve month periods ended December 31, 2009 compared to $1.66 and $1.10 per mcf for the same periods in 2008. The commissioning of the San Martin tie-in pipeline in September 2008 allowed Antrim to sell a higher proportion of its gas production to higher priced industrial markets on the mainland instead of the Tierra del Fuego residential market with its fixed price of $0.36 per mcf.

NGL prices, before export taxes, averaged $22.97 per barrel in the year ended December 31, 2009 compared to $42.89 per barrel for the comparable period in 2008. NGL prices decreased in 2009 as compared to 2008 due to lower spot market prices for the first nine months of 2009 combined with restrictions on exports to Chile. For the fourth quarter 2009, NGL prices averaged $13.22 per barrel compared to $7.54 for the same period in 2008. NGL prices rose in the fourth quarter 2009 due to an increase in the NGL reference price combined with a larger portion of NGL being exported to higher priced markets in Chile.

Royalties and Export Tax

The following table provides a comparative analysis of royalty and export tax expenses for the three month periods and years ended December 31, 2009 and 2008.

	Three Months Ended December 31		Year Ended December 31	
	2009	**2008**	**2009**	**2009**
($000's)				
Royalties	540	337	1,777	1,499
Percentage of Total revenue	16.0	12.7	13.7	12.5
Export tax	36	-	108	261
Percentage of NGL revenue	27.6	-	29.0	31.8

Royalty expenses, as a percentage of total revenue, increased in 2009 compared to 2008 as government mandated royalty rates increased in Tierra del Fuego combined with a royalty adjustment related to the relinquishment of Medianera which was recorded in the fourth quarter. Export taxes, as a percentage of NGL revenue, decreased in 2009 compared to 2008 as exports to Chile were curtailed for much of 2009 due to restrictions in obtaining export permits.

Netbacks

The following table provides a comparative analysis of field netbacks, based on sales, for the three month periods and years ended December 31, 2009 and 2008.

	Three Months Ended December 31		Year Ended December 31	
	2009	2008	2009	2008
$/boe				
Wellhead price	18.49	22.51	19.17	23.85
Royalties	(2.96)	(2.87)	(2.63)	(2.97)
Export tax	(0.20)	(0.00)	(0.16)	(0.52)
Operating expenses	(11.58)	(13.64)	(10.46)	(10.13)
Netback	3.75	6.00	5.92	10.23
Oil, Natural gas and NGL sales (boe)	182,319	117,784	675,767	504,655
Oil, Natural gas and NGL sales (boepd)	1,982	1,280	1,851	1,379

The decrease in netbacks for the three month period and year ended December 31, 2009, compared to the corresponding periods in 2008 is primarily due to lower oil and NGL prices, lower royalty and export taxes and higher operating expenses partially offset by higher gas prices.

For the year ended December 31, 2009 operating costs on a boe basis increased to $10.46 compared to $10.13 for 2008. In 2009, Antrim changed the classification of administrative costs charged from field operators with $1.0 million ($1.48 per boe) being recorded as operating expenses. For the comparable period in 2008, $1.1 million was recorded as general administrative expense. In addition, 2009 operating costs included drilling rig tolling charges of $1.0 million or ($1.48 per boe) due to the decision in late 2008 to stop the drilling program in Tierra del Fuego.

While 2009 benefited from the reduction in export taxes, the export tax reduction was more than offset by lower wellhead prices and increased operating costs attributed to drilling rig tolling charges and lower Medianera costs due to this field being shut-in in February 2009.

General and Administrative

General and administrative (“G&A”) costs decreased in the 2009 to $7.1 million compared to $8.1 million for the comparable period in 2008. The reduction in G&A is a result of the reclassification of Argentina administrative costs charged from field operators to operating expenses. In 2009 $1.0 million of these Argentina administrative costs was recorded as operating expenses, while in 2008 $1.1 million was recorded as general and administrative expense. During 2009, Antrim capitalized $2.9 million (2008 - $3.1 million) of G&A costs related to exploration and development activity in Argentina and United Kingdom.

Depletion and Depreciation

Depletion and depreciation expense was $5.7 million for 2009 compared to $4.8 million in 2008. The consolidated per unit charge for 2009 was $8.67 per boe compared to $8.84 per boe in the same period of 2008. The per unit charge decreased in 2009, as compared to 2008, due to the change in functional currency in

Argentina and the associated weakening of the Argentine peso relative to the Canadian dollar. No depletion was recorded with respect to the $223 million of United Kingdom assets as they are classified as unproven properties. Depletion of these assets will commence with production.

Income Taxes

The following table provides a comparative analysis of income tax expenses for the three month periods and years ended December 31, 2009 and 2008.

	Three Months Ended December 31		Year Ended December 31	
	2009	**2008**	**2009**	**2008**
($000's)				
Current income taxes	3	1	84	41
Future income taxes	509	1,105	321	260
Total	512	1,106	405	301

Current income taxes relate to minimum expected income taxes which are based on the book value of assets in Argentina.

Future income taxes arise from differences between accounting and the tax basis of assets and liabilities. Future income tax assets were written down in 2009 and 2008 to their estimated recoverable amounts. As of December 31, 2009, no future 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.

Foreign Exchange Loss and Comprehensive (Loss) Income

The measurement currency of the Company is the Canadian dollar, while its reporting currency is the US dollar. A significant portion of the Company's activities are transacted in or referenced to US dollars, Canadian dollars, British pounds sterling or Argentine pesos. The Company's operating costs and certain of the Company's payments in order to maintain property interest 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, Argentine peso, and US dollar could result in unanticipated fluctuations in the Company's financial results.

The Company incurred a foreign exchange loss of $0.2 million for the year ended December 31, 2009 compared to a gain of $0.4 million in the same period in 2008.

Effective January 1, 2009, the Company changed the functional currency for its operations in Argentina from Canadian dollars to Argentine pesos. Recent operational events in Argentina, with the tie-in of gas production in Tierra del Fuego resulted in the business becoming a self sustaining entity. On a prospective basis, the Company has adopted the current rate method for foreign exchange translation for its Argentina operations. Under the current rate method all balance sheet items are translated at the balance sheet date exchange rate and revenue and expense items at the exchange rate in effect at the date of the transaction. The resulting foreign exchange gain or loss is reported as an unrealized gain (loss) in comprehensive income (loss). The remaining operations of Antrim have the Canadian dollar as the functional currency. Assets and liabilities are translated into the reporting currency at the period end exchange rates and the results of changes in these rates are recorded as an unrealized gain (loss) in comprehensive income (loss).

The exchange rate for the Canadian dollar relative to the United States dollar increased from US $0.82 at December 31, 2008 to US $0.95 at December 31, 2009 resulting in an unrealized gain on translation of the consolidated assets and liabilities of $44,748,590 million for the year ended December 31, 2009. The remaining $(12,459,220) million unrealized loss on translation resulted from the exchange rate for the Argentine peso relative to the Canadian dollar weakening from Cdn $0.35 at December 31, 2008 to Cdn $0.27 at December 31, 2009.

Cash Flow and Net Loss

In the three month periods ended December 31, 2009 and 2008, Antrim incurred cash flow from operations deficiencies of $1.4 million ($(0.01) per share) and $1.0 million ($(0.01) per share) respectively. A cash flow from operations deficiency of $1.1 million ($(0.01) per share) was incurred for the 2009 year compared to cash flow of $0.3 million ($0.00 per share) for the same period in 2008. Cash flow decreased in 2009, as compared to 2008, primarily due higher operating costs, lower interest and other income offset by higher revenue and lower general and administrative costs.

In the fourth quarter of 2009 and 2008, Antrim incurred net losses of $6.1 million and $7.2 million respectively. For the year ended December 31, 2009, the Company incurred a net loss of $12.6 million compared to $13.0 million in the same period in 2008.

Capital Expenditures

Antrim incurred capital expenditures related to petroleum and natural gas properties of ($0.5 million) and $6.0 million for the fourth quarter of 2009 and 2008, respectively. For the year ended December 31, 2009 and 2008, capital expenditures were $4.8 million and $91.2 million. Capital expenditures were significantly reduced in 2009, as compared to 2008, as the drilling programs in the UK and Argentina concluded in 2008.

Investments and other Non-Current Assets

Investments and other non-current assets for the year ended December 31, 2009 and 2008 consisted of the following:

	Year Ended December 31	
	2009	**2008**
($000's)		
VAT receivable	410	1,186
Interest bearing bonds	797	-
Long-term receivables	67	833
Total	1,274	2,019

The value added tax ("VAT") receivable pertains to operations in Argentina and was written down in 2009 by $0.8 million ($0.6 million – 2008) to its estimated recoverable amount.

The Argentina state owned natural gas transportation company commenced a project to increase capacity on the pipeline that crosses the Strait of Magellan to the mainland. Antrim and other gas producers were obligated by the government to invest in the project through the purchase of interest bearing bonds issued by a national trust created by the government. The bonds initially bear interest of 15% and will be repaid in thirty quarterly installments commencing in 2011.

Antrim had a loan receivable from its partner in Medianera of $0.7 million. As part of the relinquishment of Antrim's working interest, the loan was forgiven and written off in 2009.

Financial Resources and Liquidity

As at December 31, 2009, Antrim had working capital of $32.0 million and no debt. There were no restrictions on the use of cash and cash equivalents at December 31, 2009. Accounts payable and accrued liabilities decreased to $3.4 million at December 31, 2009 from $6.2 million as at December 31, 2008 primarily due to reduced capital activity.

Antrim invests cash not required for immediate operations needs in Canadian denominated short-term bankers' acceptances and money market instruments.

Although there have been improvements in the global economy and financial markets in recent months, there continue to be restrictions on availability of credit which may limit Antrim's ability to access debt or equity financing for its development projects. Antrim forecasts cash flows against a range of macroeconomic and financing market scenarios in an effort to identify future commitments and arrange financing, if necessary. The Company has reduced the time frame in projecting its future expenditures from an annual budget to a quarterly and, where applicable, monthly forecast process to enable Antrim to better adapt to changing market conditions. Although Antrim may need to raise additional funds from internal or external sources, if available, in order to develop both of its major UK properties, the Company maintains flexibility to manage its financial commitments.

In July 2008, Antrim entered into an agreement with the Bank of Scotland plc for a $50 million working capital facility. The working capital facility was available, subject to certain conditions, for pre-development costs associated with Antrim's Causeway property and for the appraisal of the Fyne and Dandy fields. No amounts were drawn on this bank facility and Antrim did not renew the facility when it matured on January 18, 2010.

Antrim's planned capital program for 2010 includes ongoing development of Fyne, the 25th bid round licences, Causeway and drilling in Tierra del Fuego. Causeway will be funded by the carried interest obtained from the sale of the 30% interest to Valiant. The remaining capital expenditures will be funded by existing cash resources combined with operating cash flow. Although no commitments have been made, Antrim is considering the drilling of an additional well in East Fyne which would also be financed from existing cash on hand.

Contractual Obligations and Commitments

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

($000's)	2010	2011	2012	2013	2014	Thereafter
United Kingdom						
• Fyne and Dandy (1)	56	10,056	56	56	56	-
• Causeway (2)	46	72	96	122	148	-
• 25th Bid Round (3)	393	4,206	1,062	-	-	-
Argentina						
• Tierra del Fuego (4)	2,627	650	650	650	650	1,300
• Tres Nidos Sur (5)	1,032	-	-	-	-	-
Office Leases	299	296	259	113	113	367
Total	4,453	15,280	2,123	941	967	1,667

(1) On approval of a Field Development Plan, which is anticipated in 2011, Antrim has agreed to pay an additional $10 million as part of the acquisition of the block.

(2) Relates to Antrim's remaining 35.5% interest in Causeway after the sale of 30% interest to Valiant.

(3) Includes licence fees and seismic costs to drill or drop decision on 25th bid round licences.

(4) Includes drilling rig commitments of $2.0 million.

(5) Under the terms of the Tres Nidos Sur licence, Antrim agreed to acquire seismic and drill one exploration well by February 21, 2010 estimated at $1.0 million. Subsequent to the year-end, Antrim relinquished its interest in the licence and was released from these commitments.

Outlook

Antrim's strong financial position which includes unrestricted cash available of $31.2 million and no debt provides Antrim with financial and operational flexibility.

Antrim is currently in discussion with FPSO providers as well as local existing infrastructure owners to select the most efficient production export route for the Fyne Field. Antrim intends to select the optimum development scheme and produce a FDP for submission in late 2010. The Company's strategy in this core area is to accelerate its development by working closely with industry partners. Antrim is maturing drilling prospects on its surrounding licences in the greater Fyne Area with a view to drilling in 2011.

Antrim expects to be active in the recently announced 26th UK offshore licensing round, building on the success already established in the Greater Fyne Area.

With the expectation that Causeway will be funded to production and with the intention to acquire a development partner for Fyne, Antrim's other North Sea activity will be weighted towards adding value by exploring for new hydrocarbons and appraising existing discoveries.

In South America, the Company will also concentrate on the high value production assets in Tierra del Fuego with a view to increasing production in a rising price commodity market. The Antrim team intends to expand the Argentine operation primarily through new in-country exploration opportunities using the cash flow from existing Argentine operations. Antrim is also considering further development of its South American business and is in discussion on several growth opportunities.

Antrim views the bilateral strategy as central to its corporate development, balancing longer term and capital-intensive investments in the UK North Sea with shorter investment cycle on-shore exploration and production opportunities.

Antrim's daily production in Argentina is expected to average approximately 1,800 net boepd in 2010.

Summary of Quarterly Results

($000, except per share amounts)	Oil, Natural Gas and NGL Revenue, Net of Royalties and Export Tax	Cash Flow from Operations (deficiency)	(Loss)	(Loss) Per Share – Basic
2009				
Fourth quarter	2,796	(1,378)	(6,071)	(0.04)
Third quarter	3,590	744	(1,751)	(0.01)
Second quarter	1,821	(716)	(2,888)	(0.03)
First quarter	2,861	283	(1,850)	(0.01)
Total	11,068	(1,067)	(12,560)	(0.09)
2008				
Fourth quarter	2,313	(1,032)	(7,152)	(0.05)
Third quarter	2,875	886	(1,507)	(0.01)
Second quarter	1,849	(986)	(3,564)	(0.03)
First quarter	3,236	1,439	(808)	(0.01)
Total	10,273	307	(13,031)	(0.10)

Antrim's net revenue and cash flow from operations has fluctuated over the quarters due to intermittent shipments of crude oil from Tierra del Fuego, increasing gas sales and lower oil production due to decline rates. Fourth quarter cash flow from operations and loss in 2009 and 2008 were negatively impacted by VAT valuation allowances. Fourth quarter losses in 2009 and 2008 also increased due to the write-down of investments and other non-current assets and future income tax assets.

Critical Accounting Policies and Estimates

Preparing financial statements in accordance with Canadian GAAP requires management to make certain judgments and estimates. Changes to these judgments and estimates could have a material effect on the Company's financial statements and financial position. The estimates of proved and probable reserves are critical to many aspects of the Company's financial statements, including net income and the carrying amount of petroleum and natural properties and future asset retirement obligations.

The Company also incurs costs related to properties for which no proved reserves may be attributable. These costs must also be assessed to ascertain whether impairment has occurred. In certain instances, the Company may be required under Canadian GAAP to record an impairment charge against these costs even though the Company has maintained and intends to maintain the underlying licence or agreement pertaining to the properties.

The fair value of the asset retirement obligations are estimated and recorded on a discounted basis over the expected life of the assets. Factors that may affect the fair value of these obligations include the expected costs to complete the retirement, the useful lives of the assets and the discount rate applied. Cost estimates may vary as the extent of work required changes either as a result of operational considerations or changes to environmental legislation.

The amount recorded as stock-based compensation expense is determined using the Black-Scholes option pricing model, which includes numerous estimates as described in Note 10 to the consolidated financial statements.

Changes in Accounting Policy

Effective January 1, 2009, the Company changed the functional currency for its operations in Argentina from Canadian dollars to Argentine pesos. Recent operational events in Argentina, with the tie-in of gas production in Tierra del Fuego and the deferment of additional drilling for 2009, resulted in the business becoming a self sustaining entity. On a prospective basis, the Company has adopted the current rate method of foreign exchange translation for the Argentina business. Under the current rate method all balance sheet items are translated at the balance sheet date exchange rate and revenue and expense items at the exchange rate in effect at the date of the transaction. The resulting foreign exchange gain or loss is reported as an unrealized gain (loss) in the comprehensive income (loss).

New Accounting Standard

On January 1, 2009, the Company adopted new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 "Goodwill and Intangible Assets" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Adoption of this new accounting standard had no material effect on Antrim's consolidated financial statements.

Conversion to International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the mandatory changeover from existing Canadian GAAP to International Financial Reporting Standards ("IFRS") is to take effect for financial years beginning on or after January 1, 2011. The key elements of the Company's conversion plan include determining appropriate changes to accounting policies and disclosures, identifying and implementing associated changes to processes and information systems, ensuring compliance to internal controls and educating and training staff and other stakeholders. The Company has completed a diagnostic analysis of the differences between Canadian GAAP and IFRS and is analyzing accounting policy alternatives and systems changes for impact areas, including available first time adoption alternatives.

Possible significant accounting difference between Antrim's current accounting policies under Canadian GAAP and expected accounting policies under IFRS are as follows:

First-time adoption exemption – the International Accounting Standards Board has approved additional exemptions from the retrospective application of IFRS for first time adopters. Of most relevance to Antrim is an exemption that allows full cost oil and gas companies to elect, at the date of transition to IFRS, to measure exploration evaluation assets at the amount determined under Canadian GAAP and to measure oil and gas assets in the development or production phases by allocating the amount determined under Canadian GAAP to the underlying assets pro-rata using reserve volumes or reserve values as of that that date. The Company will consider if this exemption should be applied.

Re-classification of exploration and evaluation ("E&E") expenditures from property, plant and equipment ("PP&E") on the consolidated balance sheet – this will consist of the book value of Antrim's undeveloped land that relates primarily to its UK properties which are currently excluded from the depletion calculation and are assessed for impairment. E&E assets will not be depleted and must be assessed for impairment when indicators suggest the possibility of impairment.

Calculation of depletion expense for PP&E – upon transitioning to IFRS, Antrim has the option to calculate depletion using a reserve base of proved reserves or both proved and probable reserves, as compared to the Canadian GAAP method of calculating depletion using only proved reserves. Depletion will be calculated at the cash generating unit ("CGU") level.

Impairment of PP&E – under IFRS, impairment of PP&E must be calculated at a more detailed level than what is currently required under Canadian GAAP. Impairment calculations will be performed at the CGU level using either total proved or proved plus probable reserves.

Foreign currency translation methods and the functional currencies of each of Antrim's foreign operations – under IFRS, the functional currency emphasizes the currency that determines the pricing of the transaction that are undertaken, rather than focusing on the currency in which those transactions are denominated.

At this time, the impact on the Company's financial position and results of operations is not reasonably determinable for the accounting policy differences previously identified. Antrim's implementation plan includes the assessment of accounting policy alternatives and systems changes and the Company will commence the calculation of 2010 results under IFRS in the second half of 2010.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Antrim has established disclosure controls, procedures and corporate policies so that it's 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 Canadian GAAP. The Company tested and evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting as at December 31, 2009. As a result of this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded the Company's disclosure controls and procedures and internal controls over financial reporting have been designed and are operating effectively.

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.

Related Party and Off-Balance Sheet Transactions

Antrim may from time to time enter into arrangements with related parties. In 2009, Antrim incurred fees of $63,178 (2008 - $254,380) payable to Burstall Winger LLP, a law firm in which a director of the Company is a partner. The Company had no off-balance sheet transactions in the year ended December 31, 2009.

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

The Company's ability to increase 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 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.

The Company has significant investments in Argentina and the United Kingdom and its primary source of revenue is from two oil and gas properties in Argentina. 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 23, 2010 which is filed on SEADAR at www.sedar.com.

ANTRIM
ENERGY INC.

March 23, 2010

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management. The financial statements have been prepared by management in accordance with the accounting policies outlined in the notes to the financial statements. Financial statements include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles. The financial information contained in the annual report is consistent with that in the financial statements.

Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

PricewaterhouseCoopers LLP, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Company's most recent annual general meeting, to examine the financial statements in accordance with Canadian generally accepted auditing standards and provide an independent professional opinion.

The audit committee of the Board of Directors with all of its members being outside directors, have reviewed the financial statements including notes thereto, with management and PricewaterhouseCoopers LLP. The financial statements have been approved by the Board of Directors on the recommendation of the audit committee.

STEPHEN GREER	DOUGLAS OLSON
President and Chief Executive Officer	Chief Financial Officer

March 23, 2010

Auditors' Report

To the Shareholders of
Antrim Energy Inc.

We have audited the consolidated balance sheets of Antrim Energy Inc. as at December 31, 2009 and 2008 and the consolidated statements of income (loss) and deficit, comprehensive income (loss) and accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) *"PricewaterhouseCoopers LLP"*

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

Antrim Energy Inc.
Consolidated Balance Sheets
As at December 31, 2009 and December 31, 2008

	2009 $	2008 $
Assets		
Current assets		
Cash and cash equivalents	31,168,669	35,337,007
Accounts receivable	3,278,166	5,186,806
Inventory and prepaid expenses (note 5)	937,513	945,363
	35,384,348	41,469,176
Petroleum and natural gas properties (note 6)	248,012,987	226,968,744
Office equipment (note 7)	447,160	556,826
Future income taxes (note 13)	-	348,006
Investments and other non-current assets (note 8)	1,274,384	2,018,697
	285,118,879	271,361,449
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	3,424,596	6,201,849
	3,424,596	6,201,849
Asset retirement obligation (note 9)	5,696,945	9,913,898
	9,121,541	16,115,747
Commitments and contingencies (note 16)		
Shareholders' equity		
Share capital (note10)	311,946,244	311,927,578
Contributed surplus (note 11)	15,605,999	11,664,179
Deficit	(49,586,859)	(37,027,268)
Accumulated other comprehensive loss (note 12)	(1,968,046)	(31,318,787)
	275,997,338	255,245,702
	285,118,879	271,361,449

Approved by the Board of Directors

(signed) *"Gerry Orbell"*
Director

(signed) *"James C. Smith"*
Director

Antrim Energy Inc.
Consolidated Statements of Income (Loss) and Deficit
For the years ended December 31, 2009 and 2008

	2009 $	2008 $
Revenue		
Oil and gas	12,952,854	12,034,147
Royalties	(1,776,730)	(1,499,342)
Export tax	(108,325)	(261,414)
	11,067,799	10,273,391
Interest and other income	1,941,719	3,248,249
	13,009,518	13,521,640
Expenses		
Operating	7,068,407	5,110,982
General and administrative	7,058,801	8,110,984
Stock-based compensation	2,866,818	5,108,484
Depletion and depreciation	5,659,500	4,814,112
Accretion of asset retirement obligations	581,638	870,856
Foreign exchange (gain) loss	189,460	(406,073)
Write-off of investment and other non-current assets (note 8)	1,739,278	2,642,197
	25,163,902	26,251,542
Loss for the year before income taxes	(12,154,384)	(12,729,902)
Income tax expense (recovery) (note 13)		
Current	84,189	41,046
Future	321,018	260,094
	405,207	301,140
Net Loss for the year	(12,559,591)	(13,031,042)
Deficit – Beginning of year	(37,027,268)	(23,996,226)
Deficit – End of year	(49,586,859)	(37,027,268)
Net loss per common share		
Basic	(0.09)	(0.10)
Diluted	(0.09)	(0.10)

Antrim Energy Inc.
Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)
For the years ended December 31, 2009 and 2008

	2009 $	2008 $
Net loss for the year	(12,559,591)	(13,031,042)
Comprehensive income (loss)		
Unrealized (loss) gain on translation of consolidated financial statements into reporting currency (note 12)	32,289,370	(61,212,922)
Comprehensive income (loss)	19,729,779	(74,243,964)
Accumulated other comprehensive income (loss) – Beginning of year	(31,318,787)	29,894,135
Change in accounting policy (note 3)	(2,938,629)	-
Other comprehensive (loss) income (note 12)	32,289,370	(61,212,922)
Accumulated other comprehensive loss – End of year	(1,968,046)	(31,318,787)

Antrim Energy Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2009 and 2008

	2009 $	2008 $
Cash Provided by (used in)		
Operating Activities		
Net loss for the year	(12,559,591)	(13,031,042)
Items not involving cash:		
Depletion and depreciation	5,659,500	4,814,112
Accretion of asset retirement obligations	581,638	870,856
Stock-based compensation expense	2,866,818	5,108,484
Foreign exchange (gain) loss	324,166	(357,984)
Future income taxes	321,018	260,094
Write-off of long term investments and other non-current assets (note 8)	1,739,278	2,642,197
	(1,067,173)	306,717
Change in non-cash working capital items (note 14)	(15,088)	472,130
	(1,082,261)	778,847
Financing Activities		
Issue of common shares	4,368	51,596,631
Share issue expenses	-	(2,596,047)
	4,368	49,000,584
Investing Activities		
Office equipment	(111,462)	(456,247)
Petroleum and natural gas properties	(4,782,392)	(91,161,446)
Restricted cash	-	5,552,149
Other non-current assets	(1,084,622)	(1,109,579)
Change in non-cash working capital items (note 14)	(1,362,918)	(15,156,738)
	(7,341,394)	(102,331,861)
Effects of foreign exchange on cash	4,250,949	(10,904,640)
Net (decrease) increase in cash and cash equivalents	(4,168,338)	(63,457,070)
Cash and cash equivalents – Beginning of year	35,337,007	98,794,077
Cash and cash equivalents – End of year	31,168,669	35,337,007

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008

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, development and production activities in Argentina and exploration activities in the United Kingdom.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP). The Company's reporting currency is United States dollars (US$ or $).

Management estimates and measurement uncertainty

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions regarding certain assets, liabilities, revenues and expenses. Such estimates must often be made based on unsettled transactions and other events and a precise determination of many assets and liabilities is dependent upon future events. Actual results may differ from estimated amounts.

The amounts recorded for depletion, depreciation of property and equipment, the provision for asset retirement obligations, stock-based compensation and future income taxes are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries.

Joint ventures

Certain of the Company's petroleum and natural gas activities are conducted jointly with others and accordingly the accounts reflect only the Company's proportionate interest in such activities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term investments, maturing within 90 days at the time of acquisition.

Inventory

Inventories of crude oil, refined products and supplies are valued at the lower of average cost and net realizable value.

Petroleum and natural gas properties

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploration for and development of oil and gas reserves are capitalized into a cost centre for each country in which the Company's subsidiaries have operations. Such costs will include land acquisition costs, geological and geophysical expenses, carrying charges on non-producing properties, lease rentals on undeveloped properties, costs of drilling both productive and non-productive wells and general and administration costs directly related to exploration and development activities.

The ultimate recovery of the costs capitalized to date by cost centre is dependent upon the existence of economically recoverable reserves in each country, the maintenance of the necessary agreements with the applicable regulatory authorities and the ability to obtain the necessary financing to complete the development of the Company's holdings. Costs of acquiring and evaluating unproved properties and major development projects are initially excluded from the depletion and depreciation calculation. These costs are assessed periodically to ascertain whether impairment has occurred. When proven reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion and depreciation.

Costs subject to depletion, including tangible production equipment, are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by an independent reserve engineer. Reserves are converted to equivalent units on the basis of approximate relative energy content. Gains or losses on the sale or disposition of petroleum and natural gas properties are not ordinarily recognized except under circumstances which result in a change of 20% or more in the depletion rate.

The Company applies a ceiling test to capitalized costs to ensure that such costs are recoverable, based upon a comparison with estimated undiscounted cash flows from estimated production of proven reserves, using estimates of future prices and costs, plus the cost (net of impairment) of unproved properties. An impairment loss is recognized if capitalized costs are greater than their recoverable amount. The impairment loss is measured as the amount by which capitalized costs exceed the present value of estimated future cash flows from proved and probable reserves discounted using a risk-free interest rate. Any impairment loss is charged to income.

Office equipment

Office and computer equipment is recorded at cost and depreciated over its estimated useful life on a straight-line basis over five and three years respectively.

Investments

Investments in which the Company is not able to exercise significant influence are classified as available for sale and carried at cost. Earnings from such investments are recognized only to the extent received or receivable. When there has been a loss in value of an investment that is other than a temporary decline, the investment is written down to recognize the loss.

Asset retirement obligation

The fair value of estimated asset retirement obligations is recognized in the consolidated balance sheet when incurred and a reasonable estimate of fair value can be made. Asset retirement obligations include those legal obligations where the Company will be required to retire tangible long-lived assets such as producing well sites and processing facilities. The asset retirement cost, equal to the initially estimated fair value of the asset retirement obligation, is capitalized as part of the cost of the related long lived asset. Changes in the estimated obligation resulting from revisions to estimated timing or amount of undiscounted cash flows are recognized as a change in the asset retirement obligation and the related asset retirement cost.

Asset retirement costs for crude oil and natural gas assets are amortized using the unit-of-production method. Amortization of asset retirement costs is included in depletion and depreciation in the consolidated statement of income (loss). Increases in the asset retirement obligation resulting from the passage of time are recorded as accretion of asset retirement obligations in the consolidated statement of income (loss).

Foreign currency translation

Effective January 1, 2009, operations of the Company's subsidiary in Argentina changed from integrated with a functional currency of Canadian dollars (Cdn $) to self-sustaining with a functional currency of Argentine pesos (ARS) (see Note 3). The Company now translates the financial statements of its Argentine subsidiary to Cdn $ using the current rate method of foreign currency translation. Under the current rate method, all balance sheet items are translated at the exchange rate in effect on the balance sheet date and all revenue and expense items are translated at the exchange rate in effect on the date of the transaction. The resulting foreign exchange gain or loss is reported as an unrealized gain (loss) in comprehensive income (loss). The remaining operations of Antrim are considered to be integrated with a functional currency of Cdn $. The financial statements of the integrated subsidiaries are translated using the temporal method, whereby monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date, non-monetary assets and liabilities are translated at historical rates and revenues and expenses are translated at the monthly average exchange rate.

Revenue recognition

Revenues are recognized when goods have been delivered, when services have been performed, or when hydrocarbons have been produced and delivered and payment is reasonably assured.

Stock-based compensation plans

The Company uses the fair value method for valuing stock option grants. Stock-based compensation costs are recognized over the vesting period of the stock options granted with a corresponding amount being shown as contributed surplus. Consideration paid upon the exercise of the stock options is recorded as an increase to share capital together with amounts previously recognized in contributed surplus.

Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using enacted or substantially enacted tax rates expected to apply when the asset is realized or the liability settled. Future income tax assets are only recognized to the extent it is more likely than not that sufficient future taxable income will be available to allow the future income tax asset to be realized.

Financial Instruments

The Company recognizes a financial asset or liability when it becomes a party to the contractual provisions of a financial instrument. Financial assets and financial liabilities are initially measured at fair value. After initial recognition, financial assets and liabilities held for trading are measured at fair value with the unrealized gains and losses recorded in income, loans and receivables are carried at amortized cost, while all other financial liabilities are subsequently measured at amortized cost using the effective interest method. Transaction costs on financial instruments are included in the fair value assessment of each financial asset and financial liability.

Per share amounts

Basic earnings (loss) per share are calculated by dividing earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share reflect the potential dilution that could occur if stock options and warrants were exercised. The treasury stock method is used to determine the dilutive effect of stock options and warrants. Under the treasury stock method, only proceeds received from the exercise of "in the money" stock options and warrants are used to determine the impact on the diluted calculations.

3. CHANGES IN ACCOUNTING POLICIES

Change in Functional currency

Effective January 1, 2009, the Company changed its functional currency from Cdn $ to ARS for its Argentina subsidiary, as the Company considers the subsidiary self sustaining and anticipates that the majority of its future income stream and expenditures will be denominated in ARS. The change was made on a prospective basis and as a result of the change, the Company recorded an adjustment to opening accumulated other comprehensive income (loss) of $2,938,629 as at January 1, 2009. The functional currency of the parent company and all of its other subsidiaries continues to be Cdn $.

Other Changes

Effective January 1, 2009 the Company adopted CICA Section 3064 "Goodwill and Intangible Assets" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. Adoption of this new accounting standard had no material effect on Antrim's consolidated financial statements.

In January 2009, the CICA issued EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities". The abstract provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. This abstract was effective for the Company's quarterly and annual consolidated financial statements for periods ending on or after March 31, 2009. The adoption of this abstract did not have a material impact on the Company.

4. NEW ACCOUNTING STANDARD

In December 2008, the CICA issued Section 1582 "Business Combinations" which will replace CICA Section 1581 of the same name. Section 1582 establishes principles and requirements of the acquisition method for business combinations and related disclosures. This statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 2011. Adoption of this accounting standard is not expected to have a material effect on Antrim's consolidated financial statements.

5. INVENTORY AND PREPAID EXPENSES

Inventory and prepaid expenses at December 31, 2009 include $351,791 (2008 – $330,739) of crude oil that has been produced but not yet sold. Inventories of crude oil are valued at the lower of average cost and net realizable value.

6. PETROLEUM AND NATURAL GAS PROPERTIES

	2009		
	Cost $	Accumulated depletion and depreciation $	Net book value $
Argentina	50,936,845	26,408,646	24,528,199
United Kingdom	226,763,179	3,278,391	223,484,788
	277,700,024	29,687,037	248,012,987

	2008		
	Cost $	Accumulated depletion and depreciation $	Net book value $
Argentina	52,735,538	19,276,107	33,459,431
United Kingdom	196,439,183	2,929,870	193,509,313
	249,174,721	22,205,977	226,968,744

During the period, the Company capitalized $2,885,918 (2008 - $3,053,554) of general and administrative and stock-based compensation costs related to exploration and development activity. At December 31, 2009, petroleum and natural gas properties include $223,484,788 (2008 - $193,509,313) relating to unproven properties that have been excluded from the depletion calculation.

The benchmark prices used in the ceiling test evaluation of the Company's crude oil and natural gas reserves at December 31, 2009 were:

Year	WTI Crude Oil (US$/Barrel) Argentina	Corporate Crude Oil (US$/Barrel) Argentina	Natural Gas (US$/Mcf) Argentina
2010	80.00	53.11	1.96
2011	83.60	53.41	2.14
2012	87.40	54.05	2.23
2013	91.30	57.23	2.57
2014	95.30	57.23	2.77
2015	99.40	57.23	2.68
2016	101.40	57.23	2.61

The corporate crude oil and natural gas prices include the 21% VAT retention for Tierra del Fuego sales on the Argentina mainland. The natural gas price is a weighted average of gas contracts.

7. OFFICE EQUIPMENT

Office equipment of $447,160 (2008 – $556,826) is net of accumulated depreciation of $1,372,334 (2008 – $1,090,513).

8. INVESTMENTS AND OTHER NON-CURRENT ASSETS

	2009 $	2008 $
Interest bearing bonds	796,536	-
VAT receivable	409,506	1,185,520
Long-term receivable	68,341	833,176
Investment in NOR	1	1
	1,274,384	2,018,697

In 2009 the Argentina state owned natural gas transportation company commenced a project to increase capacity on the pipeline connecting Tierra del Fuego with the mainland. The Company was obligated to invest in the project through the purchase of interest bearing bonds issued by a national trust created by the Argentine government. The bonds initially bear interest at 15% and will be repaid in thirty quarterly instalments commencing in 2011.

In 2009, $832,878 ($603,487 – 2008) of the value added tax ("VAT") receivable in Argentina was determined to be uncollectible due to the sale of Puesto Guardian (see Note 20) and was written off.

The Company had a long-term receivable due from the operator of one of the Company's joint ventures. As part of the relinquishment of the Company's interest in this joint venture in February 2010, (see Note 20) the $695,655 loan was forgiven and a valuation allowance was recorded for this amount in 2009.

At December 31, 2009 and December 31, 2008, the Company held 1,175,000 common shares of NOR Energy AS (NOR), a private Norwegian company, representing less than 10% of the common shares of NOR. The Company held warrants to acquire 700,000 common shares of NOR at a price of $1.00 per share which expired on May 26, 2009. In 2008 the Company reduced its carrying value of the NOR shares to the estimated net realizable value of $1 as NOR sold its major asset.

9. ASSET RETIREMENT OBLIGATIONS

At December 31, 2009, the estimated undiscounted asset retirement obligations are $2,604,345 (2008 – $2,645,588) and $10,000,685 (2008 – $24,681,941) for Argentina and United Kingdom, respectively. The Company expects the undiscounted obligations to be payable after 2023. The present value of the asset retirement obligations has been calculated using credit adjusted risk free rates of between 7.9% and 9.3% (2008 – 7.9% and 11.0%) and an inflation rate of 2.0% (2008 – 2.0%).

Changes to asset retirement obligations were as follows:

	2009 $	2008 $
Asset Retirement obligations, beginning of year	9,913,898	9,650,649
Accretion expense	581,638	870,856
Increase in liabilities	-	2,893,189
Change in estimated future cash flows	(6,077,164)	(976,725)
Foreign currency translation	1,278,573	(2,524,071)
Asset retirement obligations, end of year	5,696,945	9,913,898

10. CAPITAL STOCK

Authorized

Unlimited number of common voting shares
Unlimited number of preferred shares

Common shares issued	Number of Shares	Amount $
Balance – December 31, 2007	117,581,389	262,600,117
Bought deal financing	17,130,000	51,093,584
Employee share ownership plan	396,727	346,261
Exercise of stock options	214,000	332,955
Contributed surplus on exercise of stock options	-	150,708
Share issue costs	-	(2,596,047)
Balance – December 31, 2008	135,322,116	311,927,578
Employee share ownership plan	(41,011)	(14,915)
Exercise of stock options	68,167	33,581
Balance – December 31, 2009	135,349,272	311,946,244

In July 2008, the Company issued 16,130,000 common shares at a price of Cdn $3.10 per common share for gross proceeds of Cdn $50,003,000. In August 2008, an over-allotment option was partially exercised for an additional 1,000,000 common shares at a price of Cdn $3.10. Total gross proceeds from the financing, including over-allotment option, were Cdn $53,103,000.

Stock options

The Company has established a stock option plan whereby the Company may grant options to its directors, officers, employees and consultants for 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 typically vest evenly over a period of three years from the date of grant and expire five years after the date of grant.

Pursuant to the Company's stock option plan, as at December 31, 2009 there were 11,015,231 options outstanding to purchase common share at prices ranging from $0.31 Cdn to $6.95 Cdn.

A summary of the status of the Company's stock option plan is presented below:

	2009		2008	
	Number of options	Weighted-average exercise price Cdn $	Number of options	Weighted-average exercise price Cdn $
Outstanding – Beginning of year	13,015,731	2.63	7,829,731	3.08
Granted	630,000	0.49	5,675,000	2.02
Expired/Cancelled	(2,562,333)	2.71	(275,000)	4.40
Exercised	(68,167)	0.31	(214,000)	1.41
Outstanding – End of year	11,015,231	2.50	13,015,731	2.63
Options Exercisable – End of year	6,430,919	2.75	4,370,421	2.68

Notes to Consolidated Financial Statements
For the Years Ended December 31, 2009 and 2008

The following table summarizes information about the stock options outstanding at December 31, 2009:

Options outstanding				Options exercisable		
Range of exercise prices Cdn $	Weighted-average exercise price Cdn $	Number outstanding at December 31, 2009	Weighted-average years remaining contractual Life	Range of exercise prices Cdn $	Weighted-average exercise price Cdn $	Number outstanding at December 31, 2009
0.31-1.00	0.32	2,886,833	4.00	0.31-1.00	0.31	750,167
1.01-2.00	1.48	1,283,666	0.97	1.01-2.00	1.50	1,203,667
2.01-3.00	2.23	2,016,732	2.26	2.01-3.00	2.14	1,483,401
3.01-4.00	3.79	2,525,000	2.71	3.01-4.00	3.74	1,558,347
4.01-5.00	4.10	1,673,000	2.26	4.01-5.00	4.10	1,015,337
5.01-6.00	5.70	500,000	2.84	5.01-6.00	5.70	333,334
6.01-7.00	6.95	130,000	2.70	6.01-7.00	6.95	86,666
		11,015,231				6,430,919

Stock-based compensation costs are recognized over the vesting period of the stock options granted.

Stock-Based Compensation Costs

The Company measures all stock-based compensation using the fair value method of accounting and recognizes the result as compensation expense in the financial statements. Stock-based compensation costs are recognized over the vesting period of the stock options granted. Stock-based compensation costs for the year ended December 31, 2009 and 2008 were $3,955,413 and $5,108,484 respectively.

Options totaling 630,000 were granted during the year ended December 31, 2009. The options granted had an estimated weighted-average fair value of Cdn $0.44 (2008 – Cdn $1.03) per option. The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate – 1.74% (2008 – 2.9%); expected life – 4.5 years (2008 – 4.5 years); expected volatility – 150% (2008 – 74.8%); expected dividend yield – nil (2008 – nil).

Per Share Information

In calculating basic and diluted net loss per common share amounts, the following weighted average shares were used:

	2009 Number of shares	2008 Number of shares
Weighted average number of shares outstanding	135,283,611	125,774,521
Exercisable stock options	750,167	-
Diluted average number of shares outstanding	136,033,778	125,774,521

Exercisable stock options of 5,680,752 at December 31, 2009 have been excluded from the diluted average number of shares outstanding as they are anti-dilutive.

11. CONTRIBUTED SURPLUS

	2009 $	2008 $
Balance beginning of year	11,664,179	6,706,403
Stock-based compensation expense	3,955,413	5,108,484
Transfer to share capital on exercise of stock options	(13,593)	(150,708)
Balance – end of year	15,605,999	11,664,179

12. OTHER COMPREHENSIVE INCOME

The consolidated assets and liabilities are translated from their functional currencies to the United States dollar reporting currency at the period end exchange rates and the results of changes in these rates are recorded as an unrealized gain (loss) in comprehensive income (loss) and accumulated comprehensive income (loss).

The exchange rate for the Canadian dollar relative to the United States dollar increased from US $0.82 at December 31, 2008 to US $0.95 at December 31, 2009 resulting in an unrealized gain on translation of the consolidated assets and liabilities of $44,748,590.

Effective January 1, 2009 the Company changed its functional currency for its Argentine subsidiary to the Argentine peso from the Canadian dollar. As a result of this change, and due to the weakening of the Argentine peso from Cdn $0.35 at December 31, 2008 to Cdn $0.27 at December 31, 2009, Antrim recorded an unrealized loss of $(12,459,220).

The exchange rate for the Canadian dollar relative to the United States dollar declined from US $1.02 at December 31, 2007 to US $0.82 at December 31, 2008 resulting in an unrealized loss on translation of the consolidated assets and liabilities of $(61,212,922).

13. INCOME TAXES

The differences between the expected income tax provision and the reported income tax provision are summarized as follows:

	2009 $	2008 $
(Loss) before income taxes	(12,154,384)	(12,729,902)
Statutory income tax rate	29.50%	29.50%
Expected tax (recovery)	(3,585,543)	(3,755,321)
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	248,625	289,897
Effect of different tax rates in foreign jurisdictions	659,433	640,054
Changes in statutory rate changes in the year	-	523,180
Benefit of tax losses not recognized	3,082,692	2,603,330
	405,207	301,140

The components of the Company's net future income tax asset are as follows:

	2009 $	2008 $
Future income tax asset:		
Tax basis of liabilities below carrying value	-	348,006
Net future income tax asset	-	348,006

The Company incurred losses in several of the countries that it operates in. Although the majority of the Company's operations are in the UK and Argentina, it maintains its head office in Canada. Certain costs incurred in Canada related to executive management, administrative and public company costs cannot be allocated to foreign operations resulting in non-capital loss carryforwards in Canada. No accounting recognition has been given to the losses in Canada, Argentina or the UK as there is uncertainty with respect to the ability to generate sufficient taxable income to utilize the losses.

At December 31, 2009 the Company had the following non-capital loss carryforwards:

	Expiry Dates	2009 $
Canada	2010-2029	21,644,000
Argentina	2012-2014	3,181,000
United Kingdom	No Expiry	30,263,000
Total		55,088,000

14. SUPPLEMENTAL CASH FLOW INFORMATION

	2009 $	2008 $
Operating activities:		
(Increase) in current assets:		
Accounts receivable	1,342,381	(625,827)
Inventory and prepaid expenses	10,683	(341,410)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(1,368,152)	1,263,198
Employee share ownership plan contribution	-	176,169
	(15,088)	472,130
Investing activities:		
Decrease (increase) in current assets:		
Accounts receivable	255,742	(620,044)
Decrease in current liabilities:		
Accounts payable and accrued liabilities	(1,618,660)	(14,536,694)
	(1,362,918)	(15,156,738)
Interest received	208,639	2,153,230
Income taxes paid	84,189	41,247

15. SEGMENTED INFORMATION

	2009		
	Revenue $	(Loss) $	Identifiable assets $
Canada	-	(6,258,986)	25,538,751
Argentina	12,952,854	(3,227,085)	32,903,352
United Kingdom	-	(3,073,520)	226,676,776
Total	12,952,854	(12,559,591)	285,118,879

	2008		
	Revenue $	(Loss) $	Identifiable assets $
Canada	-	(4,375,244)	29,723,723
Argentina	12,034,147	(4,434,766)	42,737,459
United Kingdom	-	(4,221,032)	198,900,267
Total	12,034,147	(13,031,042)	271,361,449

16. COMMITMENTS AND CONTINGENCIES

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

	2010	2011	2012	2013	2014	Thereafter
($000's)						
United Kingdom						
• Fyne and Dandy (1)	56	10,056	56	56	56	-
• Causeway (2)	46	72	96	122	148	-
• 25th Bid Round (3)	393	4,206	1,062	-	-	-
Argentina						
• Tierra del Fuego (4)	2,627	650	650	650	650	1,300
• Tres Nidos Sur (5)	1,032	-	-	-	-	-
Office Leases	299	296	259	113	113	367
Total	4,453	15,280	2,123	941	967	1,667

(1) On approval of a Field Development Plan, which is anticipated in 2011, Antrim has agreed to pay an additional $10 million as part of the acquisition of the block.

(2) Relates to Antrim's remaining 35.5% interest in Causeway after the sale of 30% interest to Valiant (see Note 20).

(3) Includes licence fees and seismic costs to drill or drop decision on 25th bid round licences.

(4) Includes drilling rig commitments of $2.0 million.

(5) Under the terms of the Tres Nidos Sur licence, Antrim agreed to acquire seismic and drill one exploration well by February 21, 2010 estimated at $1.0 million. Subsequent to the year-end, Antrim relinquished its interest in the licence and was released from these commitments.

17. FINANCIAL AND CAPITAL MANAGEMENT

The Company's objective when managing its capital is to maintain adequate levels of funding to support its exploration and development program and provide flexibility in the future development of its business.

Historically the Company raised all of its capital requirements from internally generated cash flow and by the issuance of common shares and securities exchangeable for common shares. The Company's capital structure at December 31, 2009 consisted entirely of common share capital. The Company had no bank debt at December 31, 2009.

Current restrictions on 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. The Company has reduced the time frame in projecting its future expenditures from an annual budget to a quarterly and, where applicable, monthly forecast process. This reduction in the time horizon will allow the Company to better adapt to changing market conditions. Although the Company may need to raise additional funds from outside sources, if available, in order to develop its UK properties, the Company maintains flexibility to manage financial commitments on these assets.

In July 2008, Antrim entered into an agreement with the Bank of Scotland plc for a $50 million working capital facility. The working capital facility was available, subject to certain conditions, for pre-development costs associated with the Company's Causeway property and for the appraisal of the Fyne and Dandy fields. No amounts were drawn on this bank facility and Antrim did not renew the facility which matured on January 18, 2010.

18. 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, short-term deposits, accounts receivable, other non-current assets and accounts payable. Cash and short-term deposits are categorized as held-for-trading and are accounted for at fair value with the change in fair value recognized in net income during the period. Accounts receivable and other non-current assets, as described in note 8, 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 the Company's financial instruments, fair values approximate carrying amounts. The fair value of the long term bonds is not materially different than the carrying amount.

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 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 majority of oil and gas production is from two properties in Argentina and each property's production is sold to a single purchaser. 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. As at December 31, 2009, the Company has provided for an allowance for doubtful accounts which is not material.

The Company's maximum exposure to credit risk of $35,721,218 at December 31, 2009 is equal to the carrying amount of cash, cash equivalents, accounts receivable and certain non-current assets on the Company's balance sheet on that date. The non-current assets being primarily VAT receivable and interest bearing bonds are obligations of the Argentina government or government agencies.

(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 may 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.

At December 31 2009, the Company had working capital of $31,959,752 compared to $35,267,327 at December 31, 2008. The contractual maturities of the Company's financial liabilities at December 31, 2009 are all less than one year.

(c) Market risk

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

(d) Commodity price risk

Currently all of the Company's oil and gas revenue is from oil and gas properties in Argentina. Oil prices in Argentina are subject to domestic market discounts, which results in prices significantly below benchmark prices. Oil exports from Argentina are subject to export taxes which effectively limit the maximum price that producers could receive for crude oil exports to $42 per barrel, regardless of the price of WTI. The discount on domestic sales results in a similar ceiling, after quality adjustments, within the domestic market. Gas sales are based on fixed long term sales contracts of up to four years, spot sale pricing and domestic market discounted pricing. As there is currently no ability to export gas from Tierra del Fuego, the discount prices and lack of export market results in a ceiling on industrial long term and spot sales prices. Further regulatory changes to the domestic market prices or export tax regime may have an adverse impact on the Company's net revenues, cash flow and earnings.

(e) 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, British pounds sterling ("£") or Argentine pesos. As a result, fluctuations in the United States dollar, British pounds sterling, and Argentine peso against the Canadian dollar 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 Canadian dollars when not required in support of current operations.

The Company's sensitivity to foreign currency exchange risk at December 31, 2009 of a possible 10% strengthening in the Canadian dollar is as follows:

	US $	£	ARS
	US $ Equivalent		
Increase in loss before taxes	10,000	210,000	-
Increase (Decrease) in Other Comprehensive Income	26,642,000	(208,000)	(2,593,000)

19. RELATED PARTY TRANSACTIONS

The Company may from time to time enter into arrangements with related parties which are accounted for at the exchange amount. In 2009, the Company incurred fees of $63,178 (2008 – $254,380) payable to Burstall Winger LLP, a law firm in which a director of the Company is a partner.

20. SUBSEQUENT EVENTS

On March 4, 2010, the Company announced that it had signed a Conditional Letter Agreement to sell a 30% interest in the UK North Sea Causeway property. The Company will receive up to $21,750,000 contributed to the Company's remaining share of development costs of bringing the field to production start-up.

Effective January 1, 2010, the Company sold its 40% working interest in Puesto Guardian Argentina for consideration of a $1,360,203 non-interest bearing promissory note. Due to the impairment of certain assets, losses of $1,339,885 associated with the sale were recognized in 2009.

Effective February 25, 2010, the Company relinquished its 70% working interest in Medianera and Tres Nidos Sur Argentina. Due to the impairment of certain assets, losses of $695,655 associated with the sale were recognized in 2009.

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Antrim Energy Inc.

Colin Maclean (2) (3)
Independent Director

Dr. Brian Moss
Executive Vice President, Latin America
Antrim Energy Inc.

Dr. Gerry Orbell (1) (3)
Chairman and Chief Executive Officer,
Sound Oil plc

Jim Perry (1) (3)
President, CEO and Director,
Alternative Fuel Systems (2004) Inc.

James C. Smith (1) (2)
Independent Director

Jay Zammit (2)
Partner,
Burstall winger LLP

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

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Executive Vice President, Latin America

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AUDITORS

Pricewaterhouse Coopers LLP
Calgary, Alberta

INDEPENDENT ENGINEERS

McDaniel & Associates Consultants Ltd

REGISTRAR AND TRANSFER AGENT

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

CIBC Mellon Trust Company
Calgary, Alberta

STOCK EXCHANGE LISTINGS

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

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