Antrim Energy Inc.

Consolidated Financial Statements
December 31, 2010 and 2009

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers LLP
Chartered Accountants
111 5 Avenue SW, Suite 3100
Calgary, Alberta
Canada T2P 5L3
Telephone +1 403 509 7500
Facsimile +1 403 781 1825
www.pwc.com/ca

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Independent Auditor's Report

To the Shareholders of Antrim Energy Inc.

We have audited the accompanying consolidated financial statements of Antrim Energy Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2010 and 2009 and the consolidated statements of loss and deficit, comprehensive income and accumulated other comprehensive income (loss) and cash flows for the years then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the consolidated financial statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statement that are free from material misstatement, whether due to fraud or error.

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

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

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

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Antrim Energy Inc. and its subsidiaries as at December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Antrim Energy Inc.
Consolidated Balance Sheets
As at December 31, 2010 and December 31, 2009
(U.S. Dollars)

	2010	2009
	$	$
Assets		
Current assets		
Cash and cash equivalents	25,650,379	31,168,669
Accounts receivable	3,529,553	3,278,166
Inventory and prepaid expenses (note 5)	759,316	937,513
	29,939,248	35,384,348
Petroleum and natural gas properties (note 6)	258,834,012	248,012,987
Office equipment (note 7)	394,516	447,160
Investments and other non-current assets (note 8)	2,025,772	1,274,384
	291,193,548	285,118,879
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,412,987	3,424,596
Loan from Valiant (note 9)	835,922	-
	3,248,909	3,424,596
Asset retirement obligations (note 10)	6,246,447	5,696,945
	9,495,356	9,121,541
Commitments and contingencies (note 16)		
Shareholders' Equity		
Share capital (note 11)	312,062,456	311,946,244
Contributed surplus (note 12)	17,821,118	15,605,999
Deficit	(57,549,106)	(49,586,859)
Accumulated other comprehensive income (loss)	9,363,724	(1,968,046)
	281,698,192	275,997,338
	291,193,548	285,118,879

Approved by the Board of Directors

(signed) "Gerry Orbell"
Director

(signed) "James Smith"
Director

Antrim Energy Inc.

Consolidated Statements of Loss and Deficit
For the years ended December 31, 2010 and 2009
(U.S. Dollars)

	2010	2009
	$	$
Revenue		
Oil and gas	12,538,921	12,952,854
Royalties	(1,781,837)	(1,776,730)
Export tax	(146,033)	(108,325)
	10,611,051	11,067,799
Interest and other income	2,523,315	1,941,719
	13,134,366	13,009,518
Expenses		
Operating	4,720,573	7,068,407
General and administrative	6,608,274	7,058,801
Stock-based compensation (note 11)	1,706,922	2,866,818
Depletion and depreciation	7,394,668	5,659,500
Accretion of asset retirement obligations	313,663	581,638
Foreign exchange loss	221,359	189,460
Write-off of investment and other non-current assets (note 8)	-	1,739,278
	20,965,459	25,163,902
Loss for the year before income taxes	(7,831,093)	(12,154,384)
Income tax expense (note 13)		
Current	131,154	84,189
Future	-	321,018
	131,154	405,207
Net loss for the year	(7,962,247)	(12,559,591)
Deficit – beginning of year	(49,586,859)	(37,027,268)
Deficit – end of year	(57,549,106)	(49,586,859)
Net loss per common share		
Basic	(0.06)	(0.09)
Diluted	(0.06)	(0.09)

Antrim Energy Inc.

Consolidated Statements of Comprehensive Income and Accumulated Other Comprehensive Income (Loss)
For the years ended December 31, 2010 and 2009
(U.S. Dollars)

	2010 $	2009 $
Net loss for the year	(7,962,247)	(12,559,591)
Comprehensive income		
Unrealized gain on translation of consolidated financial statements	11,331,770	32,289,370
Comprehensive income	3,369,523	19,729,779
Accumulated other comprehensive loss – beginning of year	(1,968,046)	(31,318,787)
Change in accounting policy (note 3)	-	(2,938,629)
Other comprehensive income	11,331,770	32,289,370
Accumulated other comprehensive income (loss) – end of year	9,363,724	(1,968,046)

Antrim Energy Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2010 and 2009
(U.S. Dollars)

	2010 $	2009 $
Cash provided by (used in)		
Operating Activities		
Net loss for the year	(7,962,247)	(12,559,591)
Items not involving cash:		
Depletion and depreciation	7,394,668	5,659,500
Stock-based compensation	1,706,922	2,866,818
Accretion of asset retirement obligations	313,663	581,638
Accretion of financial asset (note 8)	(121,041)	-
Foreign exchange loss	178,841	324,166
Future income taxes	-	321,018
Write-off of long term investments and other non-current assets (note 8)	-	1,739,278
	1,510,806	(1,067,173)
Change in non-cash working capital items (note 14)	(732,000)	(15,088)
	778,806	(1,082,261)
Financing Activities		
Issue of common shares	68,993	4,368
	68,993	4,368
Investing Activities		
Office equipment	(187,515)	(111,462)
Petroleum and natural gas properties (note 6)	(6,694,866)	(4,782,392)
Other non-current assets	(698,990)	(1,084,622)
Change in non-cash working capital items (note 14)	382,753	(1,362,918)
	(7,198,618)	(7,341,394)
Effects of foreign exchange translations on cash flow	832,529	4,250,949
Net decrease in cash and cash equivalents	(5,518,290)	(4,168,338)
Cash and cash equivalents – beginning of year	31,168,669	35,337,007
Cash and cash equivalents – end of year	25,650,379	31,168,669

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").

All amounts in these statements are expressed in US dollars, as this is the presentational currency of the consolidated entity, unless otherwise noted.

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, non-interest bearing promissory note, and future income taxes are based on estimates. The ceiling test and depletion charges are 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 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 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 obligations

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 other 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. The resulting foreign exchange gain or loss is included in income (loss) for the period.

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

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 financial 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. For financial assets and financial liabilities that are not classified as held for trading, the transaction costs that are directly attributable to the acquisition or issue of a financial asset or financial liability are added to the fair value initially recognized for that financial instrument. These costs are expensed to earnings using the effective interest rate method.

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

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 $.

4. NEW ACCOUNTING PRONOUNCEMENTS

In December 2008, the CICA issued Section 1582 "Business Combinations" which replaced 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 account standard is not expected to have a material effect on Antrim's consolidated financial statements.

Antrim will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual reporting purposes for fiscal years beginning on or after January 1, 2011.

5. INVENTORY AND PREPAID EXPENSES

Inventory and prepaid expenses at December 31, 2010 include $310,742 (2009 – $351,791) 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

			2010
	Cost	**Accumulated depletion and depreciation**	**Net book value**
	$	**$**	**$**
Argentina	42,066,749	18,979,515	23,087,234
United Kingdom	239,186,475	3,439,697	235,746,778
	281,253,224	22,419,212	258,834,012

			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

During the year, the Company capitalized $911,986 (2009 - $1,797,323) of general and administrative and $555,416 (2009 - $1,088,595) of stock-based compensation costs related to exploration and development activity. At December 31, 2010, petroleum and natural gas properties include $235,746,778 (2009 - $223,484,788) relating to unproven properties that have been excluded from the depletion calculation.

At December 31, 2010, petroleum and natural gas properties include $927,807 (2009 - $973,291) related to critical spares for the Argentina operations which have been excluded from the depletion calculation.

During the first quarter of 2010, the Company disposed of its Puesto Guardian, Medianera and Tres Nidos Sur properties in Argentina resulting in a reduction of $0.7 million in net book value of petroleum and natural gas properties and a reduction of $0.9 million in asset retirement obligations.

During the fourth quarter of 2010, the Company received $2.0 million in initial consideration for an option to acquire a 39.9% interest in the Fyne licence (Note 16). The proceeds received on the initial consideration have been netted against the carrying amount of the UK petroleum and natural gas properties.

The benchmark prices used in the ceiling test evaluation of the Company's crude oil and natural gas reserves at December 31, 2010 were:

Year	WTI Crude Oil (US$/Barrel) Argentina	Corporate Crude Oil (US$/Barrel) Argentina	Natural Gas (US$/Mcf) Argentina
2011	85.00	62.92	2.32
2012	87.70	64.18	2.66
2013	90.50	65.46	2.70
2014	93.40	66.77	2.79
2015	96.30	68.11	2.70
2016	99.40	69.47	3.05

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 $394,516 (2009 – $447,160) is net of accumulated depreciation of $1,225,001 (2009 – $1,372,334).

8. INVESTMENTS AND OTHER NON CURRENT ASSETS

	2010 $	2009 $
Non-interest bearing promissory note	770,755	-
Interest bearing bonds	793,693	796,536
VAT receivable	461,323	409,506
Long-term receivable	-	68,341
Investment in NOR	1	1
	2,025,772	1,274,384

On February 16, 2010, the Company sold its 40% working interest in Puesto Guardian Argentina, with an effective date of January 1, 2010 for consideration of a $1,360,203 non-interest bearing promissory note. The note has a maturity date of February 16, 2014 and is convertible into common shares of Tripetrol Holdings Inc., a private Cayman Island incorporated company, at the option of Antrim. The Company estimated the fair value of the note receivable to be $0.6 million and no value was given to the option to convert the note receivable to common shares of Tripetrol Holdings Inc., with this amount reducing the book value of the Company's petroleum and natural gas properties. During the year, the Company recognized accretion of $0.1 million on the note receivable which is recorded in interest and other income.

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 bear interest at 8% plus the published inflation rate adjusted quarterly. As at December 31, 2010, the interest rate for the period was 17.3%. Repayment of the bonds is in thirty quarterly instalments commencing in 2011.

VAT receivable is net of $832,878 determined to be uncollectible and written off in 2009 due to the sale of Puesto Guardian. The long-term receivable is net of $695,655 which was forgiven and written off in 2009 as part of the relinquishment of the Company's interest in the Medianera joint venture.

At December 31, 2010 and 2009, 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. 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. LOAN FROM VALIANT

As part of the Conditional Letter Agreement to sell a 30% interest in the UK North Sea Causeway property (see note 16), Valiant Petroleum plc ("Valiant") agreed to loan the Company up to $2,200,000 on a non-interest bearing basis, to satisfy cash calls and invoices for joint operations due and payable under the joint operating agreement prior to completion of the sale. The loan relates to both the 30% interest conditionally sold to Valiant and the Company's remaining 35.5% share. The balance outstanding as of December 31, 2010 was $835,922. Upon successful completion of the sale, the outstanding loan balance payable to Valiant for the Company's remaining 35.5% interest will be applied to the balance of the $21,750,000 carried contribution. If the sale is not completed, any outstanding balance for the entire 65.5% interest will be due and payable to Valiant immediately.

10. ASSET RETIREMENT OBLIGATIONS

At December 31, 2010, the estimated undiscounted asset retirement obligations are $2,121,347 (2009 - $2,604,345) and $9,713,702 (2009 - $10,000,685) for Argentina and United Kingdom, respectively. The Company expects the undiscounted obligations to be payable after 2015 for Argentina and after 2023 for the United Kingdom. The present value of the asset retirement obligations has been calculated using credit adjusted risk free rates of between 7.9% and 11% (2009 – 7.9% and 11.0%) and an inflation rate of 2.0% (2009 – 2.0%).

Changes to asset retirement obligations were as follows:

	2010 **$**	**2009** **$**
Asset retirement obligations - beginning of year	5,696,945	9,913,898
Accretion expense	313,663	581,638
Dispositions	(916,554)	-
Additions	35,231	-
Change in estimated future cash flows	835,656	(6,077,164)
Foreign currency translation	281,506	1,278,573
Asset retirement obligations - end of year	6,246,447	5,696,945

11. SHARE CAPITAL

Authorized
Unlimited number of common voting shares
Unlimited number of preferred shares

Common shares issued	**Number of Shares**	**Amount** **$**
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
Exercise of stock options	222,270	68,993
Contributed surplus on exercise of stock options	-	47,219
Balance – December 31, 2010	135,571,542	312,062,456

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, 2010 there were 13,247,898 (2009 – 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:

	2010		2009	
	Number of Options	Weighted-average exercise price Cdn $	Number of Options	Weighted-average exercise price Cdn $
Outstanding – beginning of year	11,015,231	2.50	13,015,731	2.63
Granted	3,755,000	1.05	630,000	0.49
Expired/cancelled	(1,300,063)	1.68	(2,562,333)	2.71
Exercised	(222,270)	0.32	(68,167)	0.31
Outstanding – end of year	13,247,898	2.20	11,015,231	2.50
Options exercisable – end of year	7,947,924	2.84	6,430,919	2.75

The following table summarizes information about the stock options outstanding at December 31, 2010:

Options outstanding				Options exercisable		
Range of exercise prices Cdn $	Weighted-average exercise price Cdn $	Number Outstanding at December 31, 2010	Weighted-average years remaining contractual life	Weighted-average exercise price Cdn $	Number Outstanding at December 31, 2010	Weighted-average years remaining contractual life
0.31 - 1.00	0.35	2,501,231	3.07	0.32	1,421,241	2.98
1.01 - 2.00	1.15	4,180,333	3.94	1.61	697,000	0.24
2.01 - 3.00	2.23	1,999,999	1.26	2.20	1,733,334	1.06
3.01 - 4.00	3.79	2,410,001	1.69	3.76	1,973,348	1.55
4.01 - 5.00	4.10	1,566,334	1.24	4.10	1,533,001	1.22
5.01 - 6.00	5.70	475,000	1.86	5.70	475,000	1.86
6.01 - 6.95	6.95	115,000	1.69	6.95	115,000	1.69
		13,247,898			7,947,924	

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, 2010	Weighted-average years remaining contractual life	Weighted-average exercise price Cdn $	Number Outstanding at December 31, 2010	Weighted-average years remaining contractual life
0.31 - 1.00	0.32	2,886,833	4.00	0.31	750,167	3.90
1.01 - 2.00	1.48	1,283,666	0.97	1.50	1,203,667	0.76
2.01 - 3.00	2.23	2,016,732	2.26	2.14	1,483,401	1.77
3.01 - 4.00	3.79	2,525,000	2.71	3.74	1,558,347	2.27
4.01 - 5.00	4.10	1,673,000	2.26	4.10	1,015,337	2.15
5.01 - 6.00	5.70	500,000	2.84	5.70	333,334	2.74
6.01 - 7.00	6.95	130,000	2.70	6.95	86,666	2.69
		11,015,231			6,430,919	

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

Stock-based compensation

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, 2010 and 2009 were $2,262,338 and $3,955,413 respectively.

Options totaling 3,755,000 (2009 – 630,000) were granted during the year ended December 31, 2009. 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 – 2.28% (2009 – 1.74%); expected life – 4.5 years (2009 – 4.5 years); expected volatility – 81.75% (2008 – 74.8%); expected dividend yield – nil (2009 – nil); estimated forfeitures – nil (2009 – nil).

Per share information

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

	2010	**2009**
	Number of shares	**Number of shares**
Weighted average number of shares outstanding	135,386,708	135,283,611
Exercisable stock options	1,584,192	750,167
Diluted average number of shares outstanding	136,970,900	136,033,778

In calculating diluted net loss per share for the years ended December 31, 2010 and 2009, the Company excluded weighted average exercisable stock options of 8,851,679 (2009 – 5,680,752) as they were anti-dilutive.

12. CONTRIBUTED SURPLUS

	2010	**2009**
	$	**$**
Balance - beginning of year	15,605,999	11,664,179
Stock-based compensation	2,262,338	3,955,413
Transfer to share capital on exercise of stock options	(47,219)	(13,593)
Balance - end of year	17,821,118	15,605,999

13. INCOME TAXES

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

	2010	**2009**
	$	**$**
(Loss) before income taxes	(7,831,093)	(12,154,384)
Statutory income tax rate	28.00%	29.50%
Expected tax (recovery)	(2,192,706)	(3,585,543)
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	(4,005,802)	(4,194,968)
Effect of different tax rates in foreign jurisdictions	2,619,954	2,738,947
Benefit of tax losses not recognized	3,709,708	5,446,771
	131,154	405,207

The components of Antrim's future income tax assets and liabilities arising from temporary differences and loss carry-forwards are as follows:

	2010	**2009**
	$	**$**
Petroleum and natural gas properties	(79,854,687)	(81,363,319)
Asset retirement obligations	1,430,832	1,432,789
Non-capital losses	108,007,635	102,503,924
Share issuance costs	594,526	1,320,563
Other	583,371	562,510
Valuation allowance	(30,761,677)	(24,456,467)
	-	-

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. The majority of operations in Argentina are located in Tierra del Fuego which is a tax-exempt province.

At December 31, 2010 the Company had the following non-capital loss carryforwards:

	Expiry Dates	2010 $
Canada	2011-2030	23,135,000
Argentina	2012-2014	5,675,000
United Kingdom	No Expiry	217,153,000
Total		245,963,000

14. SUPPLEMENTAL CASH FLOW INFORMATION

	2010 $	2009 $
Operating activities:		
Decrease (increase) in current assets:		
Accounts receivable	(122,255)	1,342,381
Inventory and prepaid expenses	119,896	10,683
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(729,641)	(1,368,152)
	(732,000)	(15,088)
Investing activities:		
Decrease (increase) in current assets:		
Accounts receivable	(150,243)	255,742
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	532,996	(1,618,660)
	382,753	(1,362,918)
Interest received	139,386	208,639
Income taxes paid	131,154	84,189

15. SEGMENTED INFORMATION

The Company operates predominately in one business, namely the exploration, development and production of hydrocarbons and the sale of hydrocarbons and related activities. The Company also operates within two geographical markets, United Kingdom and Argentina. The Company’s head office resides in Canada.

			2010
	Revenue	**(Loss)**	**Identifiable assets**
	$	$	$
Canada	-	(5,915,970)	22,713,500
Argentina	12,538,921	(395,542)	31,665,955
United Kingdom	-	(1,650,735)	236,814,093
Total	12,538,921	(7,962,247)	291,193,548

			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

16. COMMITMENTS AND CONTINGENCIES

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

	2011	**2012**	**2013**	**2014**	**2015**	**Thereafter**
($000's)						
United Kingdom						
• Fyne and Dandy (1)	70	10,024	24	24	24	24
• Causeway (2)	138	184	32	32	32	32
• 25th Bid Round (3)	157	12,580	19,000	-	-	-
Argentina						
• Tierra del Fuego	650	650	650	650	650	650
• Cerro de Los Leones (4)	4,433	1,246	1,246	-	-	-
Office Leases	300	262	111	111	111	249
Total	5,748	24,946	21,063	817	817	955

(1) The Company acquired a 75% working interest in Fyne and Dandy and upon approval of a Field Development Plan by DECC, has agreed to pay an additional $10 million as part of the acquisition cost of the block.

(2) Relates to Antrim's 65.5% interest in Causeway prior to the conditional sale of 30% interest to Valiant.

(3) The Company acquired two licences in the 25th bid round which include contingent drilling commitments estimated at $27 million in 2012 and 2013. These commitments will be waived by DECC if they agree that drilling the wells would not be an appropriate use of resources. The remaining licences include committed licence fees and seismic costs to drill or drop decision.

(4) Relates to Antrim's 50.1% interest in the exploration concession and includes seismic and firm well cost commitments.

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 $21.75 million contributed to the Company's remaining share of development costs of bringing the field to production start-up. Completion of the transaction is subject to several conditions including the sanction of a Field Development Plan by the UK Department of Energy and Climate Change ("DECC") which is anticipated in 2011.

On October 6, 2010, Antrim announced the signing of an Earn-In Agreement ("EIA") with Premier Oil UK Limited ("Premier") to jointly explore development options for the Fyne Area. Premier paid Antrim $2 million in initial consideration for an option to acquire a 39.9% interest in the Fyne licence (Block 21/28a) in return for a up to a $50 million carried contribution, less the initial consideration, towards the pre-development and development costs of the Fyne Field. The EIA also provides Premier the option to participate up to 50% alongside Antrim in a planned drilling program in the Greater Fyne Area.

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 has 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, 2010 consists of common share capital of $312,062,456 and a loan from Valiant of $835,922. The Company had no bank debt at December 31, 2010.

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.

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, cash equivalents, accounts receivable, investments in interest-bearing and non-interest bearing bonds and accounts payable. Cash and cash equivalents 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 investments in interest-bearing and non-interest bearing bonds, 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. All of the Company's oil and gas production is sold to three purchasers. 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, 2010, the Company has provided for an allowance for doubtful accounts which is not material.

The Company's maximum exposure to credit risk of $31,205,703 at December 31, 2010 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. These non-current assets being primarily VAT receivable and interest bearing bonds that are obligations of the Argentina government or government agencies and the non-interest bearing bond from Tripetrol Holdings Inc.

(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 2010, the Company had working capital of $26,690,339 compared to $31,959,752 at December 31, 2009. The contractual maturities of the Company's financial liabilities at December 31, 2010 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 result 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 abroad 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 ("ARS"). 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, 2010 of a possible 10% strengthening in the Canadian dollar is as follows:

	US $	£
	US$ equivalent	
Increase in loss before taxes	3,000	327,000

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 2010, the Company incurred fees of $185,934 (2009 - $63,178) payable to Burstall Winger LLP, a law firm in which a director of the Company is a partner.

20. SUBSEQUENT EVENTS

On March 17, 2011, the Company issued 48,191,700 common shares at a price of Cdn $1.07 per common share for gross proceeds of Cdn $51.6 million (net proceeds Cdn $48.5 million) which included 6,191,700 common shares issued to the underwriters pursuant to the 98.3% exercise of the overallotment option.

On March 28, 2011, the Company announced that it had signed a Letter of Award ("LOA") with AGR Peak Well Management Limited to drill commencing in the third quarter of 2011. The LOA is for a minimum duration of 50 days at a contractual obligation of $245,000 per day plus services, for an estimated cost of $27.3 million.