ANTRIM ENERGY INC. Q1 2013

INTERIM FINANCIAL REPORT – FIRST QUARTER 2013

HIGHLIGHTS:

- **Causeway production rates average gross 3,336 bbls/day (net 976 bbls/day) for first quarter of 2013 – gross 3,885 bbls/day (net 1,136 bbls/day), excluding 15 days of interrupted production due to platform shutdowns**
- **Oil revenues of $12.0 million and cash flow from operations of $6.6 million**
- **Antrim raises $30 million in Payment Swap transaction including a forward sale of 657,350 barrels of oil**
- **Cormorant East commenced production in January**
- **Farm out of the Ireland Skellig Block to Kosmos Energy Ltd.**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") provides a detailed explanation of Antrim Energy Inc.'s (the "Company" or "Antrim") operating results for the three months ended March 31, 2013 compared to the same period ended March 31, 2012 and should be read in conjunction with the audited consolidated financial statements of Antrim for the year ended December 31, 2012. This MD&A has been prepared using information available up to May 13, 2013. The interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Unless otherwise noted all amounts are reported in United States dollars.

Non-IFRS Measures

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

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

Calculation of Cash Flow from Operations

	Three Months Ended March 31	
	2013	**2012**
($000's)		
Cash flow provided by (used in) operating activities	6,370	(10,314)
Less: changes in non-cash working capital	(243)	(8,713)
Cash flow from (used in) operations	6,613	(1,601)

Overview of Continuing Operations

Causeway Licences

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

The Causeway Licences include the Causeway Field and the West Causeway area. Production from the Causeway Field averaged 3,336 gross barrels of oil per day ("bopd") (Antrim net 976 bopd) in the first quarter of 2013 compared to nil in 2012, after production commenced in November 2012. During the quarter production was interrupted for eight days due to a shut down on the Cormorant Alpha platform and an additional seven days due to shut downs on the North Cormorant platform. Oil production is transported by pipeline to the North Cormorant production platform where it is processed before being exported to the Sullom Voe terminal via the Brent Pipeline System for sale. In the first quarter of 2013, the Company recognized oil revenue of $12 million.

Rig operations commenced in January 2013 to complete the water injector for the Causeway Field and were completed in February 2013. Anticipated startup of the downhole electrical submersible pump ("ESP") will follow completion of topside modifications on the North Cormorant production platform, and is scheduled for the second half of 2013. The recently completed water injection well is expected to commence operation in 2014.

As part of the sale of a 30% working interest in the Causeway Licences to Valiant Petroleum plc ("Valiant") in October 2011, Antrim entered into a Differential Lifting Agreement ("DLA") giving Valiant a temporary right to 6.25% of Antrim's share of produced oil. Antrim's share of oil produced will be reduced to 29.25% until a cumulative value of $8.9 million after-tax is received by Valiant. Once satisfied, Antrim's working interest in production will revert back from 29.25% to 35.5%.

Under the terms of the Fionn Field Supplementary Agreement signed with Valiant in January 2012, Antrim had an option for three months following first oil production from the Causeway Field to opt out of participating in the Fionn Field development and sell its 35.5% working interest share to Valiant for the cost of its 35.5% working share of the Fionn Field pre-investment costs, or to confirm its continued participation by repaying its share of the Fionn pre-investment costs plus interest.

In February 2013, Antrim announced that it had elected to opt out of participating in further development of the Fionn Field. The projected costs associated with the development of Fionn had increased to the extent that the project no longer met Antrim's economic criteria. Subject to all necessary approvals from the UK Department of Energy and Climate Change ("DECC"), Antrim intends to withdraw from the Fionn Field subarea and will not incur any further liabilities.

Contender Licence

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

On January 14, 2013, Antrim announced that first oil production had been achieved from the Cormorant East Field 85 days after discovery of the field. Production is processed through the North Cormorant platform before being exported to the Sullom Voe terminal. The Cormorant East Field is initially being produced under primary depletion with a single production well, with the potential to install a water injection scheme and/or additional production wells at a later date. Future drilling locations are being considered by the partners.

Production from the Cormorant East Field averaged 688 gross bopd in the first quarter of 2013 compared to nil in 2012, after production commenced in January 2013. During the quarter, pressure problems experienced on the well have resulted in shut-ins and reduced production volumes. Further, production in the quarter was interrupted for nine days due to a shut down on the Cormorant Alpha platform.

Under the terms of the farm-out agreement with the operator, 100% of the drilling, completion and tie in costs of the Contender Well were funded by the operator. Antrim will receive its share of production after Antrim's working interest share of the completion and tie in costs are recovered from production revenue.

Ireland

Licensing Option 11/5 Blocks 44/4, 44/5 (part), 44/9, 44/10, 44/14, 44/15, Antrim 25%

Antrim acquired the Licensing Option in the 2011 Atlantic Margin Licensing Round. The Licensing Option includes Blocks 44/4, 44/5 (part), 44/9, 44/10, 44/14 and 44/15, an area of 1,409 km2. Antrim has licensed, reprocessed and interpreted 2D seismic data over the blocks and identified a Cretaceous deep sea fan complex similar in seismic character to many of the recent Cretaceous discoveries offshore West Africa.

On April 18, 2013, the Company announced a farmout agreement of the Licencing Option to Kosmos Energy Ltd. ("Kosmos"). Kosmos will acquire a 75% interest in, and operatorship, of the Licensing Option in exchange for carrying the full costs of a planned 3D seismic program within the licence area (the "Skellig Block") and re-imbursement to Antrim of a portion of the exploration costs incurred on the blocks to date. Antrim will retain a 25% interest. The transaction was approved by the Department of Communications, Energy and Natural Resources of Ireland ("DCENR"). Kosmos and Antrim expect to apply to DCENR for conversion of the Licensing Option to a Frontier Exploration Licence and approval for the 3D seismic program as soon as possible. Under the terms of the Licensing Option, a minimum 25% of the area must be relinquished when converting to a Frontier Exploration Licence.

Tanzania
Production Sharing Agreement - Pemba and Zanzibar

Antrim holds an option to acquire a 20% interest in the production sharing agreement for the Pemba-Zanzibar exploration licence offshore and onshore Tanzania (the "P-Z PSA") following the pre-drilling (seismic) phase and an additional 10% interest to be exercised up to 180 days following receipt of the initial drilling results. Should Antrim exercise the initial option, costs for the seismic phase associated with Antrim's acquired interests would be repaid from future production. RAK Gas, the Operator, has submitted a proposal for a revised work programme to the federal government of Tanzania. Environmental impact assessment work has commenced, with seismic operations expected to proceed in the near future.

On October 29, 2012, an agreement between the federal government of Tanzania and the government of Zanzibar on the sharing of any future hydrocarbon revenues was announced, potentially ending a moratorium which has delayed exploration of the licence. The agreement has still to be ratified and final details are still to be agreed. It is not yet known what, if any, impact this agreement will have on the P-Z PSA.

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

In late March 2013 the Company announced that it would not proceed with development of the Fyne Field with the Teekay FPSO. Until late March, estimated costs indicated that the planned Fyne development satisfied the Company's economic threshold and, contingent on timing of the redeployment of the FPSO from its current location, was on track for a late 2014 start-up. However, projected capital costs increased substantially, and in the Company's view, made the project uneconomic under the FPSO development proposal. The licence remains valid and the Company is in discussions with potential partners regarding future development programs.

Carra
P1563 Blocks 21/28b and 21/29c, Antrim 100%

Licence P1563 contains the Carra Prospect, the Riddon and Scavaig discoveries and several other prospects. In October 2012, DECC agreed to waive the contingent well obligation on Licence P1563 Blocks 21/28b & 21/29c as it was determined by Antrim that there was insufficient potential to proceed with drilling. The licence was relinquished in February 2013.

West Teal
Licence P1625 Block 21/24b, Antrim 100%

In March 2013, DECC agreed to waive the contingent well obligation on Licence P1625 Block 21/24b which allows the Company to relinquish the licence in its entirety. Accordingly, the Company plans to relinquish the licence in its entirety in the second quarter of 2013.

Corporate

On January 23, 2013, Antrim announced that it entered into a $30 million payment swap transaction with a major financial institution. This transaction provided Antrim with funding to meet its commitments for cost overruns on the completion of the production well in the Causeway Field, future costs related to the Causeway water injection well and initial FEED work associated with the Fyne Field.

Under the terms of the payment swap, $30 million is repayable in 29 instalments commencing September 2013 and concluding January 2016. As a part of the transaction, Antrim also entered into a forward sale of 657,350 barrels of Brent crude oil at a fixed price of $89.37 covering the period from February 2013 to December 2015.

Following the closing of the payment swap, Antrim also paid a fee of $487,500 to a major shareholder as a break fee relating to a proposed standby alternative debt financing arrangement. The major shareholder is considered a related party of the Company, as at the date of this MD&A, they directly or indirectly owned or controlled 33,588,900 common shares (representing 18.2% of the issued and outstanding common shares) of the Company.

Financial Discussion of Continuing Operations (unaudited)

	Three Months Ended March 31	
	2013	**2012**
Financial Results ($000's except per share amounts)		
Cash flow from (used in) operations [(1)]	6,613	(1,601)
Cash flow from (used in) operations per share [(1)]	0.04	(0.01)
Net loss – continuing operations	2,853	56,091
Net loss	2,853	55,421
Net loss per share – basic, continuing operations	0.02	0.30
Total assets	126,693	171,125
Working capital (deficiency)	(4,591)	46,343
Expenditures on petroleum & natural gas properties – continuing operations	13,479	6,043
Common shares outstanding (000's)		
End of period	184,731	184,116
Weighted average – basic	184,731	184,116
Weighted average – diluted	185,336	185,567

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

Revenue

The Company recorded revenue of $12.0 million in the first quarter of 2013 (2012 – nil). Revenue is recognized when title and risk transfer to the purchaser, which occurs at the time of lifting into a tanker at the Sullom Voe terminal. Under the contract with the sole UK purchaser, Antrim invoices and receives payment for its oil in the month after production; however, the purchaser retains certain rights impacting the timing of liftings which may result in no sales in a particular month resulting in deferred revenue.

Antrim's oil sales prices, before oil price commodity swap, averaged $114.21 per barrel in the three month period ended March 31, 2013 compared to $nil for the same period in 2012. The sales price for Causeway oil is calculated based on the monthly average price for Brent Ninian Blend, in the month subsequent to the month of production.

Production

First quarter of 2013 daily oil production from the Causeway Field averaged gross 3,336 bopd (Antrim net 976 bopd), compared to nil production for the same period in 2012, with first production commencing in November 2012. Oil production decreased from average gross production of 4,081 bopd (Antrim net 1,194 bopd) from early November to December 31, 2012 due to natural decline and 15 days of interrupted production due to platform shut downs.

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

	Three Months Ended March 31	
(barrels)	**2013**	**2012**
Opening inventory (1)	74,000	-
Net production (2)	86,943	-
Net sales	(104,995)	-
Processing and shrinkage	(1,024)	-
Ending inventory (1)	54,924	-

(1) Included in inventory is linefill and deadstock of 31,050 barrels
(2) Per the DLA, Antrim's share of oil produced is reduced to 29.25% until a cumulative value of $8.9 million after tax is received by Valiant

Netbacks

The following table provides a comparative analysis of field netbacks, based on sales, for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31	
	2013	**2012**
$/bbl		
Sales price	114.21	-
Financial derivative	(2.86)	-
Direct production and operating expenses	(12.03)	-
Netback	99.32	-

Direct production and operating expenses increased to $1.3 million (2012 - $nil) primarily due to the commencement of production from the Causeway Field. Direct production and operating expenses consist of operator, production platform and export terminal costs.

General and Administrative

General and administrative ("G&A") costs slightly decreased to $1.4 million for the first quarter of 2013 compared to $1.5 million for the same period in 2012.

Depletion and Depreciation

Depletion and depreciation expense was $7.1 million for 2013 compared to $24 thousand for 2012 due to the recognition of depletion as a result of production from Causeway. The depletion and depreciation rate for the first three months of 2013 was $67.19 per barrel compared to $nil in 2012.

Exploration & Evaluation Expenditures

Exploration and evaluation ("E&E") expenditures increased to $1.8 million for the first quarter of 2013 compared to nil for the same period in 2012. The increase in E&E expenditures is primarily related to work on the development plan for the Fyne Licence.

Financial Derivative

The following table summarizes the commodity hedge entered into during the period.

Derivative	Term	Volume bbl	Fixed price $/bbl
Oil Swaps	February 2013 – December 2015	657,350	$89.37

The Company recorded a $0.4 million loss on the financial derivative for the three months ended March 31, 2013 (2012 - $nil). The loss was predominantly due to a $0.3 million realized loss on the oil swap.

Finance Costs

Finance costs were $2.6 million for the three month period ended March 31, 2013 compared to $0.1 million for the same period in 2012. The increase in finance costs is primarily related to interest expense of $1.4 million and non-recurring costs of $1.2 million relating to the debt financing.

Income Taxes

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The Company did not pay or recover any taxes during the three months ended March 31, 2013 (2012 – nil).

The Company follows the liability method of accounting for income taxes. As at March 31, 2013, no deferred income tax assets were recorded due to uncertainty with respect to the ability of Antrim to generate sufficient taxable income to utilize the unrecognized losses.

Cash Flow and Net Loss

In the three month period ended March 31, 2013, Antrim generated cash flow from operations of $6.6 million ($0.04 per share) compared to a cash deficiency from operations of $1.6 million ($0.01 per share) in the same period in 2012. Cash flow from operations increased due to the recognition of revenue from Causeway production.

In the first quarter of 2013, Antrim incurred a net loss from continuing operations of $2.9 million compared to a net loss from continuing operations of $56.1 million in 2012. The net loss decreased due to the recognition of revenue from Causeway production compared to the impairment costs recorded in 2012 related to the Fyne Licence, the Erne discovery well and the Erne sidetrack well.

Capital Expenditures

Antrim incurred capital expenditures of $13.5 million and $6.0 million for the three month periods ended March 31, 2013 and 2012, respectively. Capital expenditures in 2013 primarily relate to ongoing development costs of the Causeway Licence of $13.2 million.

Foreign Exchange and Comprehensive 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 or British pounds sterling. The Company's operating costs and certain of the Company's payments in order to maintain property interests are made in the local currency of the jurisdiction where the applicable property is located. As a result of these factors, fluctuations in the Canadian dollar, British pounds sterling and US dollar could result in unanticipated fluctuations in the Company's financial results.

The Company incurred a foreign exchange loss of $75 thousand for the three month period ended March 31, 2013, compared to a gain of $5.3 million in the same period in 2012.

Financial Resources, Liquidity and Going Concern

In January 2013, the Company entered into a $30 million payment swap transaction which is subject to a number of financial and operating covenants. In addition, funds received from the swap arrangement are subject to restrictions as to their use and subsequent to March 31, 2013 additional restrictions were imposed following lower than anticipated production volumes during the quarter. The Company is working with the lender to reduce the impact of these additional restrictions, however, there is no certainty that the funds will be made available which may cast further doubt on the Company's ability to continue as a going concern. The restrictions may impact the Company's ability to fund capital expenditure and operations.

There are a number of material uncertainties that raise significant doubts as to the Company's ability to continue as a going concern, including the performance of the producing wells, oil prices, ability to finish the planned development program within budget, ability to secure additional financing, relinquishment of commitments on certain licences and settlement of contingencies.

If the lender does not reduce the restrictions the Company has other viable options such as issuing new equity and/or debt, selling and/or acquiring assets, and controlling capital expenditure programs.

As at March 31, 2013, Antrim had a working capital deficiency of $4.6 million compared to a working capital deficiency of $10.7 million as at December 31, 2012. The lower working capital deficiency is primarily due to the payment swap transaction and operations, partially offset by costs for the development of the Causeway and Fyne Fields.

Accounts payable and accrued liabilities were $19.7 million at March 31, 2013 primarily related to costs for the development of the Causeway and Fyne Fields, compared to $18.1 million as at December 31, 2012.

Although there have been improvements in the global economy and financial markets, restrictions on availability of credit remain and may limit Antrim's ability to access debt or equity financing for its exploration and 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.

Antrim's planned capital program for 2013 is primarily costs associated with the ongoing development of the Causeway Field and the Cormorant East Field.

Contractual Obligations, Commitments and Contingencies

Antrim has several commitments in respect of its petroleum and natural gas properties and operating leases as at March 31, 2013 as follows:

($000's)	2013	2014	2015	2016	2017	Thereafter
United Kingdom						
Causeway (1)	2,401	7,072	25	27	29	29
Cormorant East	183	7	7	7	7	7
Fyne and Crinan (2)	31	31	31	31	-	-
Cyclone-Typhoon (3)	12	12	-	-	-	-
West Teal (4)	-	-	-	-	-	-
Erne	-	12	-	-	-	-
Office leases	260	347	360	360	339	9
Total	2,887	7,481	423	425	375	45

(1) Relates to Antrim's 35.5% interest in the Causeway Licences.

(2) In 2013, the Company decided not to proceed with its planned development of the Fyne Field. The Company continues to hold the licence pending further evaluation.

(3) The Company has a $6.2 million contingent drilling commitment on this licence for the Typhoon prospect in 2014. Due to the results of the Cyclone well on the same licence, DECC will be asked to accept this well as a fulfillment of the drilling obligation. Contingent on DECC acceptance, there are no remaining obligations for the initial term of the licence.

(4) In March 2013, DECC waived all commitments related to Licence 21/24b. Accordingly, the Company plans to relinquish the licence in its entirety in the second quarter of 2013.

In 2011, the Company entered into a variation to an existing contract for drilling management services in the UK North Sea which required the drilling of two wells, estimated to take 50 days in a letter of intent preceding the contract variation. The Company contends that it met its contractual obligations under this variation through the drilling of the Erne pilot well (21/29d-11) and the Erne sidetrack well (21/29d-11Z). The drilling of these two wells took place over a period of 58 days. Subsequent to releasing the rig, the Company received an invoice from the drilling management services contractor charging the Company for approximately $5 million in additional costs as the contractor claims all conditions of the contract had not yet been satisfied. In July 2012, the drilling management services contractor filed a claim against the Company in the High Court of England and Wales for the additional invoice costs plus interest and lost management time. In August 2012, the Company filed a defence against this claim. The Company is disputing the additional costs and believes it is more likely than not that it will not have to pay. As a result, a contingent liability has not been recorded.

In January 2013 the Company elected not to participate in further development work on the Fionn Field. Subject to all necessary approvals from DECC, Antrim intends to withdraw from the Fionn Field subarea and will not incur any further liabilities. In accordance with the Fionn Field Supplemental Agreement signed in January 2012, the Company is of the position that there are no further obligations with respect to the decommissioning or well abandonment liabilities of the two currently suspended wells in the Fionn Field subarea. The operator contends this position in regards to one of the two currently suspended wells. The Company is disputing the operator's position and believes it is more likely than not that Antrim will be released of these obligations. Accordingly, no amounts have been recorded in decommissioning obligation in relation to the Fionn Field.

Subsequent event

On April 18, 2013, the Company announced a farmout agreement for its Ireland licencing option 11/05 in the Porcupine Basin to Kosmos. Kosmos will acquire a 75% interest in and operatorship of the Licensing Option in exchange for carrying the full costs of a planned 3D seismic program within the licence area (the Skellig Block) and re-imbursement to Antrim of a portion of the exploration costs incurred on the blocks to date. Antrim will retain a 25% interest.

Outlook

Antrim expects to see increased production from the Causeway Field following deployment of the ESP in the second half of 2013. A water injection scheme is scheduled to commence operation in 2014.

Following the discovery of the Cormorant East Field by the Contender Well, Antrim anticipates at least one appraisal well, downdip of the discovery well and a plan to explore the adjacent fault compartments.

Recent seismic studies on the Skellig block in the Porcupine Basin offshore Southwest Ireland have high graded the Dunree Prospect, adjacent to the licence holding the Dunquin Prospect, where drilling operations commenced in April 2013. Antrim and its joint venture partner Kosmos plan to apply for conversion of the Licensing Option to a Frontier Exploration Licence in the second quarter of 2013 and obtain approval for a 3D seismic program to cover the entire licence.

Summary of Quarterly Results

($000, except per share amounts)	Oil, Natural Gas and NGL Revenue, Net of Royalties	Cash Flow from (used in) Operations	Net Loss	Net Loss Per Share – Basic
2013				
First quarter	11,991	6,613	2,853	0.02
	11,991	6,613	2,853	0.02
2012				
Fourth quarter	-	(8,138)	67,155	0.37
Third quarter	-	(472)	5,240	0.03
Second quarter [1]	-	(3,177)	6,373	0.03
First quarter [1]	-	(1,601)	56,091	0.30
	-	(13,388)	134,859	0.73
2011				
Fourth quarter [1]	-	(833)	15,362	0.10
Third quarter [1]	-	(894)	36,800	0.20
Second quarter [1]	-	(1,215)	1,503	0.01
First quarter [1]	-	(805)	1,445	0.01
	-	(3,747)	55,110	0.32

1. Quarterly results reflect continuing operations only

Key factors relating to the comparison of net loss for the first quarter of 2013 are as follows:

- In the fourth quarter of 2012, the Company recognized a $50.4 million impairment charge related to the decision not to participate in further development of its 35.5% working interest in the Fionn Field, a $5.9 million impairment charge related to the abandonment of the Cyclone well 21/7b-4 and a $1.8 million impairment charge related to the West Teal Licence;
- In the third quarter of 2012, the Company recognized a $2.3 million impairment charge related to the planned relinquishment of Carra Licence P1563 Blocks 21/28b & 21/29c;
- The second quarter 2012 net loss was impacted by a $10 million reduction in the fair value of the Crown Point shares partially offset by a $5.9 million gain on the disposal of the Argentina assets;
- During the first quarter of 2012, net loss included $54.7 million in impairment costs related to the Fyne Licence, the Erne discovery well and the Erne sidetrack well;
- In the fourth quarter of 2011, the Company recognized an impairment charge of $10.3 million related to the Erne discovery well 21/29d-11 and Erne sidetrack well 21/29d-11Z;
- During the third quarter of 2011, the Company recognized an impairment charge of $35.6 million due to the sale of the 30% interest in the Causeway Licences.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Antrim has established disclosure controls, procedures and corporate policies so that its consolidated financial results are presented accurately, fairly and on a timely basis. The Chief Executive Officer and Chief Financial Officer have designed or have caused such internal controls over financial reporting to be designed under their supervision to provide reasonable assurance regarding the reliability of financial reporting and preparation of the Company's financial statements in accordance with IFRS. The Company tested and evaluated the effectiveness of its disclosure controls and procedures and internal controls over financial reporting as at December 31, 2012. During this evaluation the Corporation identified a weakness due to the limited number of finance and accounting personnel at the Corporation dealing with complex and non-routine accounting transactions that may arise.

There were no changes in the Company's internal controls over financial reporting that occurred during the first three months of 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

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

Risks and Uncertainties

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

<u>Substantial Capital Requirements</u>

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 exploration or producing properties or prospects. The acquisition and development of properties also requires that sufficient funds, including funds from outside sources, will be available in a timely manner. The availability of equity or debt financing is affected by many factors, many of which are outside the control of the Company. Recent world financial market events and the resultant negative impact on economic conditions have increased the risk and uncertainty of the availability of equity or debt financing.

In January 2013, Antrim entered into a payment swap for $30 million and a forward sale of 657,350 barrels of Brent crude oil. The Company's anticipated revenue for 2013, as well as the Company's ability to repay the payment swap, is dependent upon the future production rates from the Causeway and Cormorant East Fields as well as oil prices. See also "Financial Resources, Liquidity and Going Concern."

Foreign Operations

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

Further discussions regarding the Company's risks and uncertainties, can be found in the Company's Annual Information Form dated March 26, 2013 which is filed on SEDAR at www.sedar.com.

Forward-Looking and Cautionary Statements

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

In particular, this MD&A and any documents incorporated by reference herein, contain specific forward-looking statements and information pertaining to the quantity of and future net revenues from Antrim's reserves of oil, natural gas liquids ("NGL") and natural gas production levels. This MD&A may also contain specific forward-looking statements and information pertaining to Antrim's plans for exploring and developing its licences, including exploration of the Skellig block, future development plans with respect to its properties in Cormorant East Field, Causeway Field, Ireland and Tanzania, 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.

With respect to forward-looking statements contained in this MD&A and any documents incorporated by reference herein, Antrim has made assumptions regarding Antrim's ability to obtain additional drilling rigs and other equipment in a timely manner, obtain regulatory approvals, 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 Antrim’s reliance on industry partners for the development of some of its properties, Antrim’s ability to meet is obligations under the payment swap and the forward sale of 657,350 barrels Brent oil crude, the general stability of the economic and political environment in which Antrim operates and the future of oil and natural gas pricing. In respect to these assumptions, the reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect.

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

Many of these risk factors, other specific risks, uncertainties and material assumptions are discussed in further detail throughout this MD&A and in Antrim's annual information form for the year ended December 31, 2012. 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. Mr. Fulton has over 30 years operating experience in the upstream oil and gas industry.

Antrim Energy Inc.
Consolidated Balance Sheet
As at March 31, 2013 (unaudited)
(Amounts in US$ thousands)

	Note	March 31 2013	December 31 2012
Assets			
Current assets			
Cash and cash equivalents		1,023	1,503
Restricted cash	3	22,590	808
Accounts receivable		331	332
Inventory and prepaid expenses	4	3,558	5,877
		27,502	8,520
Property, plant and equipment	5	91,393	81,069
Exploration and evaluation assets	6	7,798	6,931
		126,693	96,520
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		19,733	18,165
Current portion of financial derivative	14	2,721	-
Current portion of long-term debt	7	9,639	-
Deferred revenue		-	1,089
		32,093	19,254
Long-term debt	7	13,166	-
Financial derivative	14	4,198	-
Decommissioning obligations	8	12,851	10,270
		62,308	29,524
Going concern	1		
Commitments and contingencies	13		
Subsequent event	15		
Shareholders' equity			
Share capital		361,922	361,922
Contributed surplus		20,943	20,626
Accumulated other comprehensive income		4,581	4,656
Deficit		(323,061)	(320,208)
		64,385	66,996
		126,693	96,520

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

Antrim Energy Inc.

Consolidated Statement of Comprehensive Loss
For the three months ended March 31, 2013 and 2012 (unaudited)
(Amounts in US$ thousands, except per share data)

	Note	Three Months Ended March 31 2013	2012
Revenue		11,991	-
Expenses			
Direct production and operating expenditures		1,264	-
General and administrative expenses		1,393	1,471
Depletion and depreciation	5	7,079	24
Share-based compensation	9	249	112
Exploration and evaluation		1,774	-
Impairment		-	54,700
Finance income		(2)	(85)
Finance costs	11	2,572	52
Loss on financial derivative	14	379	-
Foreign exchange loss		136	(183)
Loss from continuing operations before income taxes		(2,853)	(56,091)
Income tax expense		-	-
Loss from continuing operations after income taxes		(2,853)	(56,091)
Income from discontinued operations		-	670
Net loss for the period		(2,853)	(55,421)
Other comprehensive (loss) income			
Items that may be subsequently reclassified to profit or loss:			
Foreign currency translation adjustment		(75)	5,349
Other comprehensive (loss) income for the period		(75)	5,349
Comprehensive loss for the period		(2,928)	(50,072)
Net (loss) income per common share			
Basic & diluted – continuing operations	10	(0.02)	(0.30)
Basic & diluted – discontinued operations	10	-	0.00

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

Antrim Energy Inc.
Consolidated Statement of Cash Flows
For the three months ended March 31, 2013 and 2012 (unaudited)
(Amounts in US$ thousands)

		Three Months Ended March 31	
	Note	**2013**	**2012**
Operating Activities			
Loss from continuing operations after income taxes		(2,853)	(56,091)
Items not involving cash:			
Depletion and depreciation	5	7,079	24
Share-based compensation	9	249	112
Interest from long-term debt facility	7	1,361	-
Accretion of decommissioning obligations	8	46	35
Change in financial derivative	14	79	-
Foreign exchange loss (gain)		652	(381)
Impairment		-	54,700
Changes in non-cash working capital items – continuing operations	12	(243)	(8,713)
Cash provided by (used in) operating activities – continuing operations		6,370	(10,314)
Cash provided by operating activities – discontinued operations		-	1,232
Cash provided by (used in) operating activities		6,370	(9,082)
Financing Activities			
Proceeds from long-term debt facility	7	30,000	-
Issuance costs on long-term debt facility		(1,423)	-
Cash provided by financing activities		28,577	-
Investing Activities			
Capital expenditures		(13,479)	(6,043)
Change in restricted cash		(21,830)	11,638
Cash (used in) provided by investing activities – continuing operations		(35,309)	5,595
Cash used in investing activities – discontinued operations		-	(668)
Cash (used in) provided by investing activities		(35,309)	4,927
Effects of foreign exchange on cash and cash equivalents		(118)	748
Net increase (decrease) in cash and cash equivalents		(480)	(3,407)
Cash and cash equivalents – beginning of period		1,503	47,105
Cash and cash equivalents – end of period	12	1,023	43,698

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

Antrim Energy Inc.
Consolidated Statement of Changes in Equity
For the three months ended March 31, 2013 and 2012 (unaudited)
(Amounts in US$ thousands)

	Note	Number of common shares	Share capital	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, December 31, 2011		**184,116,078**	**361,587**	**19,579**	**(5,971)**	**(168,007)**	**207,188**
Net loss for the period		-	-	-	-	(55,421)	(55,421)
Other comprehensive income		-	-	-	5,349	-	5,349
Share-based compensation	9	-	-	161	-	-	161
Balance, March 31, 2012		**184,116,078**	**361,587**	**19,740**	**(622)**	**(223,428)**	**157,277**
Balance, December 31, 2012		**184,731,076**	**361,922**	**20,626**	**4,656**	**(320,208)**	**66,996**
Net loss for the period		-	-	-	-	(2,853)	(2,853)
Other comprehensive loss		-	-	-	(75)	-	(75)
Share-based compensation	9	-	-	317	-	-	317
Balance, March 31, 2013		**184,731,076**	**361,922**	**20,943**	**4,581**	**(323,061)**	**64,385**

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

1) Nature of operations

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

Going Concern

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which contemplates that assets will be realized and liabilities discharged in the normal course of business as they come due. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company has a working capital deficiency of $4,591 including restricted cash and a working capital deficiency of $27,181 excluding restricted cash as at March 31, 2013. The Company has incurred significant losses in its current and prior fiscal periods and has an accumulated deficit of $323,061. Further, the Company has commitments and contingencies of $2,887 and $7,481 in 2013 and 2014, respectively.

There are a number of material uncertainties that raise significant doubts as to the Company's ability to continue as a going concern, including the performance of the producing wells, oil prices, ability to finish the planned development program within budget, ability to secure additional financing, relinquishment of commitments on certain licences and settlement of contingencies.

In January 2013, the Company entered into a $30 million payment swap transaction which is subject to a number of financial and operating covenants. In addition, funds received from the swap arrangement are subject to restrictions as to their use and subsequent to March 31, 2013 additional restrictions were imposed following lower than anticipated production volumes during the quarter. The Company is working with the lender to reduce the impact of these additional restrictions, however, there is no certainty that the funds will be made available which may cast further doubt on the Company's ability to continue as a going concern.

If the lender does not reduce the restrictions the Company has other viable options such as issuing new equity and/or debt, selling and/or acquiring assets, and controlling capital expenditure programs.

These financial statements do not reflect adjustments to the carrying values of assets and liabilities and the reported revenues, expenses and balance sheet classifications that would be necessary if the Company was unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2) Basis of presentation

a) Statement of compliance

These interim consolidated financial statements for the three months ended March 31, 2013 have been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting, and have been prepared following the same accounting policies as the annual consolidated financial statements for the year ended December 31, 2012. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"), except for as a result of changes in the composition of revenue and costs, management has determined that the functional currency of the Company's UK operations is more closely linked to the United States ("US") dollar. Accordingly, effective January 1, 2013, this operation has been accounted for as a US functional currency entity. As a result, foreign currency translation adjustments remain in accumulated other comprehensive income until the Company has reduced its ownership in its UK subsidiary.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as at May 13, 2013, the date the Board of Directors approved the interim consolidated financial statements.

b) Presentation currency

In these interim consolidated financial statements, unless otherwise indicated, all dollar amounts are expressed in US dollars. Antrim's functional currency is Canadian dollars; however, the Company has adopted the US dollar as its presentation currency to facilitate a more direct comparison to North American oil and gas companies with international operations.

c) Critical accounting judgments and key sources of estimation uncertainty

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

Significant estimates and judgments used in the preparation of the financial statements are described in the Company's consolidated annual financial statements for the year ended December 31, 2012. For these interim consolidated financial statements for the three months ended March 31, 2013 management also applied the following significant estimate and judgement.

The fair value of the financial derivative is estimated based upon market and third party inputs. These estimates are subject to changes with fluctuations in commodity prices.

(Amounts in US$ thousands, except as otherwise noted)

d) Change in accounting policies

In May 2011, the International Accounting Standards Board ("IASB") issued the following standards: IFRS 10, Consolidated Financial Statements ("IFRS 10"), IFRS 11, Joint Arrangements ("IFRS 11"), IFRS 12, Disclosure of Interests in Other Entities ("IFRS 12"), IAS 27, Separate Financial Statements ("IAS 27"), IFRS 13, Fair Value Measurements ("IFRS 13") and amended IAS 28, Investments in Associates and Joint Ventures ("IAS 28"). Each of the new standards is effective for annual periods beginning on or after January 1, 2013. There has been no material impact from the adoption of the new and amended standards on the Company's financial statements.

3) Restricted cash

	March 31 2013	December 31 2012
Amount for permitted encumbrances	8,197	-
Capital reserve account	12,358	-
Debt service reserve account	1,275	-
Operating costs standby letter of credit	760	808
Restricted cash	22,590	808

Cash of $8,197 (2012 - $nil) is restricted for permitted items and for corporate and other project costs as approved by the counterparty to the payment swap transaction (see Note 1).

Cash of $13,633 (2012 - $nil) is restricted in use for the Company's development program ($12,358) and future debt payments ($1,275).

Restricted cash of $760 at March 31, 2013 (December 31, 2012 - $808) relates to a British pounds sterling standby letter of credit issued to the Sullom Voe terminal.

4) Inventory and prepaid expenses

	March 31 2013	December 31 2012
Crude oil inventory	2,425	4,498
Prepaids	1,133	1,379
	3,558	5,877

Inventory with a carrying amount of $2,425 (December 31, 2012 – $4,498) represents linefill and oil stocks available for sale as at March 31, 2013. Included within this balance is depletion of $1,326 (December 31, 2012 - $3,372).

(Amounts in US$ thousands, except as otherwise noted)

5) Property, plant and equipment

	March 31 2013	**December 31 2012**
Opening balance	81,069	15,207
Additions	13,238	58,250
Depletion and depreciation	(5,033)	(3,466)
Changes in decommissioning estimate	2,050	158
Transferred from exploration and evaluation assets	-	9,347
Foreign currency translation	69	1,573
Closing balance	91,393	81,069

During the period, the Company capitalized $61 (2012 - $6) of general and administrative costs and $35 (2012 - $3) of share-based compensation related to development activity.

6) Exploration and evaluation assets

	March 31 2013	**December 31 2012**
Opening balance	6,931	122,431
Additions	1,068	9,219
Changes in decommissioning estimate	(285)	1,850
Impairment	-	(122,698)
Transferred to property, plant and equipment	-	(9,347)
Foreign currency translation	84	5,476
Closing balance	7,798	6,931

During the period, the Company capitalized $70 (2012 - $247) of general and administrative costs and $33 (2012 - $46) of share-based compensation related to exploration and evaluation activity.

7) Long-term debt

	March 31 2013	**December 31 2012**
Opening balance	-	-
Additions	21,444	
Interest on long-term debt	1,361	-
Closing balance	22,805	-
Current portion of long-term debt	9,639	-
Long-term debt	13,166	-
Closing balance	22,805	-

(Amounts in US$ thousands, except as otherwise noted)

In January 2013, the Company entered into a $30 million payment swap transaction with a major financial institution. Under the terms of the transaction, $30 million is repayable in 29 instalments commencing September 2013 and concluding January 2016. To enable the Company to pay amounts under the payment swap the Company also entered into a Brent Oil Price Commodity Swap to forward sell 657,350 barrels of Brent crude oil at a fixed price of $89.37 covering the period from February 2013 to December 2015 (see Note 14). The estimated fair value of the credit-adjusted financial derivative on inception was $7,133. The payment swap was measured based on the present value of the cash received offset by the fair value of the financial derivative. The payment swap will be accreted to its face value through a charge to earnings using the effective interest method at a discount rate of 24.3%. Transaction costs of $1,423 are amortized over the term of the contract.

The Company is subject to financial and operating covenants related to the payment swap. Failure to meet the terms of one or more of these covenants may constitute an event of default in the agreement, potentially resulting in accelerated repayment of the debt obligations. Security provided against the loan is in the form of a floating charge over the Company's UK assets.

8) Decommissioning obligations

	March 31 2013	December 31 2012
Opening balance	10,270	3,595
Additions	759	4,259
Accretion	46	145
Change in estimate	1,765	3,370
Dispositions	-	(1,362)
Foreign currency translation	11	263
Closing balance	12,851	10,270

At March 31, 2013, the estimated undiscounted asset retirement obligations are $14,042 (December 31, 2012 - $11,218). The Company expects the undiscounted obligations to be payable between 2016 and 2020. The present value of the asset retirement obligations has been calculated using a risk-free interest rate of 1.5% (December 31, 2012 – 1.6%) and an inflation rate of 2.0% (December 31, 2012 – 2.0%).

9) Share-based compensation

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

(Amounts in US$ thousands, except as otherwise noted)

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

	2013		2012	
	# of Options	Weighted average exercise price Cdn $	# of Options	Weighted average exercise price Cdn $
Outstanding at January 1	12,350,065	0.98	9,168,063	2.08
Forfeited	(633,333)	0.62	-	-
Expired	(60,000)	3.21	(1,248,000)	4.08
Outstanding at March 31	11,656,732	0.99	7,920,063	1.77

Share-based compensation for the three months ended March 31, 2013 was $317 (2012 – $161) of which $249 (2012 – $112) was expensed and $68 (2012 – $49) was capitalized.

10) Earnings per share

	Three Months Ended March 31 2013	2012
Loss from continuing operations	2,853	56,091
Income from discontinued operations	-	(670)
Net loss for the period	2,853	55,421
Basic earnings per share was calculated as follows:		
Weighted average number of common shares:		
Issued common shares	184,731,076	184,116,078
Effect of share options exercised	-	-
Weighted average number of common shares – basic	184,731,076	184,116,078
Diluted earnings per share was calculated as follows:		
Weighted average number of common shares:		
Weighted average number of common shares – basic	184,731,076	184,116,078
Effect of outstanding options	605,304	1,451,134
Weighted average number of common shares – diluted	185,336,380	185,567,212
Basic & diluted loss (earnings) per common share		
From continuing operations	0.02	0.30
From discontinued operations	-	(0.00)
Total basic & diluted loss per share	0.02	0.30

(Amounts in US$ thousands, except as otherwise noted)

Under the current stock option plan, options can be exchanged for common shares of the Company. As a result, they are considered potentially dilutive and are included in the calculation of diluted net earnings per share. Diluted per share amounts are not calculated when there is a net loss. The average market value of the Company's shares for the purposes of calculating the dilutive effect of options was based on quoted market prices for the period that the options were outstanding.

11) Finance costs

	Three Months Ended March 31	
	2013	**2012**
Debt financing	1,160	-
Interest expense	1,361	5
Accretion of decommissioning obligation	46	35
Bank charges	5	12
	2,572	52

12) Supplemental cash flow information

	Three Months Ended March 31	
	2013	**2012**
(Increase) / decrease of assets:		
Trade and other receivables	-	4,091
Inventory and prepaid expenses	237	(268)
Increase / (decrease) of liabilities:		
Trade and other payables	(480)	(12,536)
	(243)	(8,713)

Cash and cash equivalents are comprised of:		
Cash in bank	1,023	14,569
Short-term deposits	-	29,129
	1,023	43,698

(Amounts in US$ thousands, except as otherwise noted)

13) Commitments and contingencies

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

	2013	2014	2015	2016	2017	Thereafter
United Kingdom						
Causeway (1)	2,401	7,072	25	27	29	29
Cormorant East	183	7	7	7	7	7
Fyne and Crinan (2)	31	31	31	31	-	-
Cyclone-Typhoon (3)	12	12	-	-	-	-
West Teal (4)	-	-	-	-	-	-
Erne	-	12	-	-	-	-
Office leases	260	347	360	360	339	9
Total	2,887	7,481	423	425	375	45

(1) Relates to Antrim's 35.5% interest in the Causeway Licences.

(2) In 2013, the Company decided not to proceed with its planned development of the Fyne Field. The Company continues to hold the licence pending further evaluation.

(3) The Company has a $6.2 million contingent drilling commitment on this licence for the Typhoon prospect in 2014. Due to the results of the Cyclone well, DECC will be asked to accept this well as a fulfillment of the drilling obligation. Contingent on DECC acceptance, there are no remaining obligations for the initial term of the licence.

(4) In March 2013, DECC waived all commitments related to Licence 21/24b. Accordingly, the Company plans to relinquish the licence in its entirety in the second quarter of 2013.

In 2011, the Company entered into a variation to an existing contract for drilling management services in the UK North Sea which required the drilling of two wells, estimated to take 50 days in a letter of intent preceding the contract variation. The Company contends that it met its contractual obligations under this variation through the drilling of the Erne pilot well (21/29d-11) and the Erne sidetrack well (21/29d-11Z). The drilling of these two wells took place over a period of 58 days. Subsequent to releasing the rig, the Company received an invoice from the drilling management services contractor charging the Company for approximately $5 million in additional costs as the contractor claims all conditions of the contract had not yet been satisfied. In July 2012, the drilling management services contractor filed a claim against the Company in the High Court of England and Wales for the additional invoice costs plus interest and lost management time. In August 2012, the Company filed a defence against this claim. The Company is disputing the additional costs and believes it is more likely than not that it will not have to pay. As a result, a contingent liability has not been recorded.

In January 2013 the Company elected not to participate in further development work on the Fionn Field. Subject to all necessary approvals from DECC, Antrim intends to withdraw from the Fionn Field subarea and will not incur any further liabilities. In accordance with the Fionn Field Supplemental Agreement signed in January 2012, the Company is of the position that there are no further obligations with respect to the decommissioning or well abandonment liabilities of the two currently suspended wells in the Fionn Field subarea. The operator contends this position in regards to one of the two currently suspended wells. The Company is disputing the operator's position and believes it is more likely than not that Antrim will be released of these obligations. Accordingly, no amounts have been recorded in decommissioning obligation in relation to the Fionn Field.

14) Financial instruments

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

The Company's financial instruments consist of cash, cash equivalents, restricted cash, accounts receivable, accounts payable, financial derivatives and contingent consideration. Cash and cash equivalents, restricted cash, and accounts receivable are classified as loans and receivables and are accounted for at amortized cost. Accounts payable are classified as other liabilities and are accounted for at amortized cost. Due to the short-term maturity of the Company's financial instruments, fair values approximate carrying amounts.

Financial risks

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

(a) Credit risk

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

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

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 March 31, 2013, the Company has provided for an allowance for doubtful accounts of $nil (December 31, 2012 - $nil).

(b) Liquidity risk

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

In January 2013, the Company entered into a $30 million payment swap transaction which is subject to a number of financial and operating covenants. In addition, funds received from the swap arrangement are subject to restrictions as to their use and subsequent to March 31, 2013 additional restrictions were imposed, on the $8,197 cash restricted for permitted encumbrances, following lower than anticipated production volumes during the quarter. The Company is working with the lender to reduce the impact of these additional restrictions, however, there is no certainty that the funds will be made available which may cast further doubt on the Company’s ability to continue as a going concern (see Note 1).

Cash of $13,633 (2012 - $nil) is restricted in use for the Company’s development program ($12,358) and future debt payments ($1,275).

At March 31, 2013, the Company had a working capital deficiency of $4,591 compared to a working capital deficiency of $10,734 at December 31, 2012. The contractual maturities of the Company’s accounts payables and accrued liabilities at March 31, 2013 are all less than one year.

(c) Market risk

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

Commodity price risk

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

(Amounts in US$ thousands, except as otherwise noted)

At March 31, 2013, the Company had the following financial derivative contract:

Derivative	Term	Volume bbl	Fixed price $/bbl	Fair value $
Oil Swaps	February 2013 – December 2015	657,350	$89.37	6,919

Financial derivative instruments are marked-to-market at the end of each reporting period, with the following reflected in the consolidated statement of comprehensive loss:

	Three Months Ended March 31	
	2013	2012
Realized loss on financial derivative	300	-
Unrealized loss on financial derivative	79	-
Loss on financial derivative instrument	379	-

For the period ended March 31, 2013 the financial derivative movements were:

	March 31 2013	December 31 2012
Opening balance	-	-
Additions	7,133	-
Settlements	(293)	-
Unrealized loss on financial derivative	79	-
Closing balance	6,919	-

<u>Foreign currency exchange risk</u>

The Company is exposed to fluctuations in foreign currency exchange rates as many of the Company's financial instruments are denominated in United States dollars and British pounds sterling ("£"). As a result, fluctuations in the United States dollar and British pounds sterling 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.

Capital management

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

(Amounts in US$ thousands, except as otherwise noted)

The Company's capital structure at December 31, 2012 consisted of cash and cash equivalents and shareholders' equity. Shareholders' equity includes shareholders' capital, contributed surplus, and accumulated other comprehensive loss and deficit. The Company entered into a payment swap transaction in January 2013 (see Note 7).

The capital structure of the Company consists of:

	March 31 2013	December 31 2012
Cash and cash equivalents	1,023	1,503
Shareholders' equity	(64,385)	(66,996)
	(63,362)	(65,493)

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 projects its future expenditures on a quarterly and, where applicable, monthly basis to enable 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 oil and gas properties, the Company maintains flexibility to manage financial commitments on these assets.

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

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

15) Subsequent event

On April 18, 2013, the Company announced a farmout agreement for its Ireland licencing option 11/05 in the Porcupine Basin to Kosmos Energy Ltd. ("Kosmos"). Kosmos will acquire a 75% interest in, and operatorship of the Licensing Option in exchange for carrying the full costs of a planned 3D seismic program within the licence area (the Skellig Block) and re-imbursement to Antrim of a portion of the exploration costs incurred on the blocks to date.

DIRECTORS

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

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

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

Erik Mielke
Independent Director

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

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

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

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

OFFICERS

Stephen Greer
President and Chief Executive Officer

Anthony Potter
Chief Financial Officer

Kerry Fulton
Vice President, Operations

Terry Lederhouse
Vice President, Commercial

Martin Dashwood
Vice President, Exploration

Adrian Harvey
Corporate Secretary

STOCK EXCHANGE LISTINGS

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

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INDEPENDENT ENGINEERS

McDaniel & Associates Consultants Ltd.

REGISTRAR AND TRANSFER AGENT

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