Antrim Energy Inc.

Consolidated Financial Statements
December 31, 2008 and 2007

March 27, 2009

Auditors' Report

To the Shareholders of
Antrim Energy Inc.

We have audited the consolidated balance sheets of Antrim Energy Inc. as at December 31, 2008 and 2007 and the consolidated statements of income (loss) and deficit, comprehensive income (loss) and accumulated other comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) *"PricewaterhouseCoopers LLP"*

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

Antrim Energy Inc.
Consolidated Balance Sheets
As at December 31, 2008 and December 31, 2007

	2008 $	2007 $
Assets		
Current assets		
Cash and cash equivalents	35,337,007	98,794,077
Restricted cash (note 5)	-	6,791,941
Accounts receivable	5,186,806	5,035,160
Inventory and prepaid expenses (note 6)	945,363	842,497
	41,469,176	111,463,675
Petroleum and natural gas properties (note 7)	226,968,744	189,890,781
Office equipment (note 8)	556,826	559,673
Future income taxes (note 14)	348,006	911,783
Investments and other non-current assets (note 9)	2,018,697	4,568,955
	271,361,449	307,394,867
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	6,201,849	22,539,789
	6,201,849	22,539,789
Asset retirement obligation (note 10)	9,913,898	9,650,649
	16,115,747	32,190,438
Commitments and contingencies (note 17)		
Shareholders' Equity		
Capital Stock (note 11)	311,927,578	262,600,117
Contributed surplus (note 12)	11,664,179	6,706,403
Deficit	(37,027,268)	(23,996,226)
Accumulated other comprehensive income (loss) (note 13)	(31,318,787)	29,894,135
	255,245,702	275,204,429
	271,361,449	307,394,867

Approved by the Board of Directors

(signed) “Gerry Orbell”
Director

(signed) “James C. Smith”
Director

Antrim Energy Inc.
Consolidated Statements of Income (Loss) and Deficit
For the years ended December 31, 2008 and 2007

	2008 $	2007 $
Revenue		
Oil and gas	12,034,147	13,978,961
Royalties	(1,499,342)	(1,761,091)
Export tax	(261,414)	(1,067,448)
	10,273,391	11,150,422
Interest and other income	3,248,249	4,235,516
	13,521,640	15,385,938
Expenses		
Operating	5,110,982	4,594,618
General and administrative	8,110,984	5,410,629
Stock-based compensation	5,108,484	3,561,314
Depletion and depreciation	4,814,112	4,226,011
Accretion of asset retirement obligations	870,856	254,815
Foreign exchange (gain) loss	(406,073)	5,679,322
Write-off of investment and other non-current assets (note 9)	2,642,197	-
Write-off of petroleum and natural gas properties (note 7)	-	625,727
	26,251,542	24,352,436
Loss for the year before income taxes	(12,729,902)	(8,966,498)
Income tax expense (recovery) (note 14)		
Current	41,046	99,579
Future	260,094	(638,452)
	301,140	(538,873)
Net Loss for the year	(13,031,042)	(8,427,625)
Deficit – Beginning of year	(23,996,226)	(15,568,601)
Deficit – End of year	(37,027,268)	(23,996,226)
Net loss per common share:		
Basic	(0.10)	(0.08)
Diluted	(0.10)	(0.08)

Antrim Energy Inc.

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)
For the years ended December 31, 2008 and 2007

	2008 $	2007 $
Net loss for the year	(13,031,042)	(8,427,625)
Comprehensive income (loss)		
Unrealized (loss) gain on translation of consolidated financial statements into reporting currency (note 13)	(61,212,922)	32,064,162
Comprehensive income (loss)	(74,243,964)	23,636,537
Accumulated other comprehensive income (loss) – Beginning of year	29,894,135	(2,170,027)
Other comprehensive (loss) income (note 13)	(61,212,922)	32,064,162
Accumulated other comprehensive income (loss) – End of year	(31,318,787)	29,894,135

Antrim Energy Inc.
Consolidated Statements of Cash Flows
For the years ended December 31, 2008 and 2007

	2008 $	2007 $
Cash Provided by (used in)		
Operating Activities		
Net loss for the year	(13,031,042)	(8,427,625)
Items not involving cash:		
Depletion and depreciation	4,814,112	4,226,011
Accretion of asset retirement obligations	870,856	254,815
Stock-based compensation expense	5,108,484	3,561,314
Foreign exchange (gain) loss	(357,984)	4,855,746
Future income taxes	260,094	(638,452)
Write-off of long term investments and other noncurrent assets (note 9)	2,642,197	-
Write-off of petroleum and natural gas properties (note 7)	-	625,727
	306,717	4,457,536
Change in non-cash working capital items (note 15)	472,130	(1,696,070)
	778,847	2,761,466
Financing Activities		
Issue of common shares	51,596,631	133,950,762
Share issue expenses	(2,596,047)	(5,620,979)
	49,000,584	128,329,783
Investing Activities		
Office equipment	(456,247)	(402,069)
Petroleum and natural gas properties	(91,161,446)	(97,353,070)
Restricted cash	5,552,149	(1,524,609)
Other current assets	-	511,155
Other non-current assets	(1,109,579)	(786,102)
Change in non-cash working capital items (note 15)	(15,156,738)	17,829,551
	(102,331,861)	(81,725,144)
Effect of foreign exchange translation on cash flows	(10,904,640)	3,335,608
Net (decrease) increase in cash and cash equivalents	(63,457,070)	52,701,713
Cash and cash equivalents – Beginning of year	98,794,077	46,092,364
Cash and cash equivalents – End of year	35,337,007	98,794,077

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).

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 and future income taxes are based on estimates. The ceiling test is based on estimates of proved reserves, production rates, prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Consolidation

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

Joint ventures

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

Cash and cash equivalents

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

Inventory

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

Petroleum and natural gas properties

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

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

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

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

Office equipment

Office equipment is recorded at cost. The Company depreciates its office and computer equipment using the straight-line method at a rate of 20% and 30% respectively.

Investments

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

Asset retirement obligation

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

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

Foreign currency translation

Operations of the Company's subsidiaries are considered to be integrated and therefore the Company translates the financial statements of its subsidiaries to Canadian dollars using the temporal method. The Canadian dollar is the Company’s functional currency. Under the temporal method, monetary assets and liabilities are translated at the exchange rate in effect at year-end, non-monetary assets and liabilities are translated at historical rates and revenues and expenses are translated at the monthly average exchange rate. Effective January 1, 2008 the Company changed its reporting currency to United States dollars, as described in note 2.

Revenue recognition

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

Stock-based compensation plans

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.

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.

Comparative amounts

Certain comparative figures have been reclassified to conform with current year presentation.

3. CHANGES IN ACCOUNTING POLICIES

Change in reporting currency

Effective January 1, 2008, the Company changed its reporting currency from Canadian dollars (Cdn $) to United States dollars (US $ or $), as the Company anticipates that the majority of its future income stream and debt facilities will be denominated in US $. The Company has made this change in accordance with Canadian GAAP by following the recommendations of Emerging Issues Committee (EIC) of the Canadian Institute of Chartered Accountants (CICA) Abstract EIC-130 "Translation Method when the Reporting Currency Differs from the Measurement Currency or there is a Change in the Reporting Currency".

Following the recommendations of EIC-130, financial statements for all periods presented have been translated using the current rate method. Under this method, consolidated revenues, expenses, and cash flow statement items have been translated using weighted-average exchange rates for the applicable periods. Consolidated assets and liabilities have been translated using the exchange rates in effect on the balance sheet dates, while shareholders' equity has been translated using the exchange rates in effect on the date of each transaction. Resulting exchange differences are reported in a separate component of other comprehensive income. All comparative financial information has been translated and restated as if the US $ had been used as the Company's reporting currency. As a result of the change in reporting currency, the Company has recorded accumulated other comprehensive income (loss) on the balance sheet at January 1, 2008 of $29,894,135 (2007 - $(2,170,027)).

The Company's functional currency, which is Canadian dollars, remains unchanged.

Other Changes

Effective January 1, 2008, the Company adopted the CICA Section 1535 "Capital Disclosures", Section 3031 "Inventories", Section 3862 "Financial Instruments Disclosures", and Section 3863 "Financial Instruments Presentation". Where applicable, these standards have been adopted prospectively.

CICA Section 1535 "Capital Disclosures" requires companies to disclose their objectives, policies and procedures for managing capital, as well as whether externally imposed capital requirements have been complied with. See note 17 for further information regarding the Company's management of capital.

CICA Section 3031 "Inventories" provides revised guidance on the measurement and disclosure requirements for inventory, and also clarifies that major spare parts and standby equipment not in use should be included in property, plant and equipment. See note 5 for further information regarding inventories. The adoption of this section did not have a material impact on the Company,

CICA Section 3862 "Financial Instruments Disclosures" and Section 3863 "Financial Instruments Presentation" require the Company to provide additional disclosure to enable users to evaluate the significance of financial instruments to the Company's financial position, performance and cash flows and how those risks are managed. See note 18 for further information regarding financial instruments.

4. UPCOMING ACCOUNTING PRONOUNCEMENTS

Effective for fiscal years commencing on or after October 1, 2008, the Company will be required to adopt new CICA Section 3064 "Goodwill and Intangible Assets" clarifying the criteria for the recognition of assets, intangible assets and internally developed intangible assets. The Company will adopt the new standard for its fiscal year beginning January 1, 2009. The adoption of this section is not expected to have an effect on the Company's consolidated financial statements.

In February 2008, the Canadian Accounting Standards Board ("AcSB") confirmed that the mandatory changeover from existing Canadian GAAP to International Financial Reporting Standards ("IFRS") is to take effect for financial years beginning on or after January 1, 2011. The key elements of the Company's conversion plan include determining appropriate changes to accounting policies and disclosures, indentifying and implementing associated changes to processes and information systems, ensuring compliance to internal controls and educating and training staff and other stakeholders. The Company has completed a diagnostic analysis of the differences between Canadian GAAP and IFRS and is assessing the effects on its conversion plan. At this time, the impact on the Company's financial position and results of operations is not reasonably determinable for the accounting standards differences indentified.

5. RESTRICTED CASH

There was no restricted cash as at December 31, 2008. Restricted cash as at December 31, 2007 of $6,791,941 related to British pound sterling (£) and US dollar denominated standby letters of credit issued with respect to the Company's drilling program in the UK North Sea.

6. INVENTORY AND PREPAID EXPENSES

Inventory and prepaid expenses at December 31, 2008 include $330,739 (2007 - $290,091) 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.

7. PETROLEUM AND NATURAL GAS PROPERTIES

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

			2007
	Cost	**Accumulated depletion and depreciation**	**Net book value**
	$	**$**	**$**
Argentina	44,024,774	14,650,827	29,373,947
United Kingdom	163,446,704	2,929,870	160,516,834
	207,471,478	17,580,697	189,890,781

During the year, the Company capitalized $3,053,554 (2007 - $2,520,655) of general and administrative costs related to exploration and development activity. At December 31, 2008, petroleum and natural gas properties include $193,509,313 (2007 - $160,516,834) relating to unproven properties that have been excluded from the depletion calculation.

The benchmark prices used in the ceiling test evaluation of the Company's crude oil and natural gas reserves at December 31, 2008 were:

Year	**WTI Crude Oil (US$/Barrel) Argentina**	**Corporate Crude Oil (US$/Barrel) Argentina**	**Natural Gas (US$/Mcf) Argentina**
2009	60.00	38.31	0.92
2010	71.40	41.79	0.92
2011	83.20	46.04	0.92
2012	90.20	49.89	0.97
2013	97.40	53.85	1.01
2014	99.40	54.95	1.07
2015	101.40	56.05	1.12
2016	103.40	57.15	1.17
2017	105.40	58.25	1.23

In 2007, the Company wrote-off costs of $625,727 following the relinquishment of its interests in the United Kingdom Southern Gas Basin.

8. OFFICE EQUIPMENT

Office equipment of $556,826 (2007 – $559,673) is net of accumulated depreciation of $1,090,513 (2007 – $771,246).

9. INVESTMENTS AND OTHER NON CURRENT ASSETS

In 2006, the Company sold certain non-core assets in Tanzania, the Czech Republic and Australia to NOR Energy AS (NOR), a private Norwegian company, in return for a cash payment and common shares of NOR. At December 31, 2008 and December 31, 2007, the Company held 1,175,000 common shares of NOR representing less than 10% of the common shares of NOR outstanding. The Company also holds warrants to acquire 700,000 common shares of NOR at a price of $1.00 per share exercisable until May 26, 2009. The Company expensed $2,038,710 in 2008 to reduce its carrying value to the estimated net realizable value of the investment in NOR of $1. In March 2009, NOR sold its major asset. Based on the terms of this transaction and significant uncertainty with respect to the value of NOR's remaining assets, the Company considers the net realizable value to be nominal.

Other non-current assets primarily consist of value added tax ("VAT") receivable in Argentina and amounts due from the operator of one of the Company's joint ventures. In 2008, $603,487of the VAT receivable was determined to be uncollectible and was written off.

	2008	**2007**
	$	**$**
Investment in NOR	1	2,507,494
Other non-current assets	2,018,696	2,061,461
	2,018,697	4,568,955

10. ASSET RETIREMENT OBLIGATIONS

At December 31, 2008, the estimated undiscounted asset retirement obligations are $2,654,588 (2007 -$2,545,021) and $24,681,941 (2007 - $21,262,691) for Argentina and United Kingdom, respectively. The Company expects the undiscounted obligations to become payable over the next 15 years with the majority between 2016 and 2020. The present value of the asset retirement obligations has been calculated using credit adjusted risk free rates of between 7.9% and 11.0% (2007 – 7.9% and 9.0%) and an inflation rate of 2.0% (2007 – 2.0%).

Changes to asset retirement obligations were as follows:

	2008 $	**2007** $
Asset Retirement obligations, beginning of year	9,650,649	1,980,775
Accretion expense	870,856	254,815
Increase in liabilities	2,893,189	2,509,711
Change in estimated future cash flows	(976,725)	4,513,433
Foreign currency translation	(2,524,071)	391,915
Asset retirement obligations, end of year	9,913,898	9,650,649

11. CAPITAL STOCK

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

Common shares issued	**Number of Shares**	**Amount** $
Balance – December 31, 2006	87,059,159	131,557,576
Bought deal financing	21,782,500	112,796,389
Exercise of common share purchase warrants	7,708,293	21,853,776
Employee share ownership plan	45,335	231,612
Exercise of stock options	986,102	1,149,732
Contributed surplus on exercise of stock options	-	632,011
Share issue costs	-	(5,620,979)
Balance – December 31, 2007	117,581,389	262,600,117
Bought deal financing	17,130,000	51,093,584
Employee share ownership plan	396,727	346,261
Exercise of stock options	214,000	332,955
Contributed surplus on exercise of stock options	-	150,708
Share issue costs	-	(2,596,047)
Balance – December 31, 2008	135,322,116	311,927,578

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

On November 15, 2007, the Company issued 8,300,000 common shares at a price of Cdn $6.05 per common share for gross proceeds of Cdn $50,215,000. An over-allotment option to issue an additional 1,245,000 common shares at a price of Cdn $6.05 per share was also exercised. Total gross proceeds from the financing, including over-allotment option, were Cdn $57,747,250.

On May 11, 2007, the Company issued 10,000,000 common shares at a price of Cdn $5.00 per common share for gross proceeds of Cdn $50,000,000. An over-allotment option to issue an additional 1,500,000 common shares at a price of $ Cdn 5.00 per share was also exercised. Total gross proceeds from the financing, including over-allotment option, were Cdn $57,500,000.

Stock options

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

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

	2008		**2007**	
	Number of Options	**Weighted-average exercise price Cdn $**	**Number of Options**	**Weighted-average exercise price Cdn $**
Outstanding – Beginning of year	7,829,731	3.08	6,154,499	2.13
Granted	5,675,000	2.02	2,763,000	4.63
Expired/Cancelled	(275,000)	4.40	(101,666)	3.84
Exercised	(214,000)	1.41	(986,102)	1.43
Outstanding – End of year	13,015,731	2.63	7,829,731	3.08
Options Exercisable – End of year	4,370,421	2.68	2,062,076	2.07

The following table summarizes information about the stock options outstanding at December 31, 2008:

Options outstanding				Options exercisable		
Range of exercise prices Cdn $	**Weighted-average exercise price Cdn $**	**Number Outstanding at December 31, 2008**	**Weighted-average years remaining contractual Life**	**Range of exercise prices Cdn $**	**Weighted-average exercise price Cdn $**	**Number Outstanding at December 31, 2008**
0.31-1.00	0.31	2,605,000	4.95	0.31-1.00	-	-
1.01-2.00	1.45	1,860,999	1.20	1.01-2.00	1.42	1,531,001
2.01-3.00	2.21	2,566,732	2.90	2.01-3.00	2.07	1,083,405
3.01-4.00	3.79	3,100,000	3.06	3.01-4.00	3.67	855,003
4.01-5.00	4.10	2,123,000	3.00	4.01-5.00	4.09	641,006
5.01-6.00	5.70	610,000	3.24	5.01-6.00	5.69	210,004
6.01-7.00	6.95	150,000	3.70	6.01-7.00	6.95	50,002
		13,015,731				4,370,421

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

Stock-Based Compensation Costs

The Company measures all stock-based compensation using the fair value method of accounting and recognizes the result as compensation expense in the financial statements. Stock-based compensation costs are recognized over the vesting period of the stock options granted. Stock-based compensation costs for the year ended December 31, 2008 and 2007 were $5,108,484 and $3,561,314, respectively.

The weighted average fair value of options granted during the year ended December 31, 2008 was Cdn $1.03 (2007 – Cdn $2.48). The fair value of each stock option granted during the period is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: Risk free interest rate – 2.9% (2007 – 4.2%); expected life – 4.5 years (2007 – 4.5 years); expected volatility – 74.8% (2007 – 63.8%); expected dividend yield – nil (2007 – nil).

Per Share Information

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

	2008 Number of shares	2007 Number of shares
Weighted average number of shares outstanding	125,774,521	102,831,087
Exercisable stock options	-	2,062,076
Diluted average number of shares outstanding	125,774,521	104,893,163

Exercisable stock options of 4,370,421 at December 31, 2008 have been excluded from the diluted average number of shares outstanding as they are anti-dilutive.

12. CONTRIBUTED SURPLUS

	2008 $	2007 $
Balance beginning of year	6,706,403	3,776,183
Stock-based compensation expense	5,108,484	3,561,314
Common share purchase warrants – expiry	-	917
Transfer to share capital on exercise of stock options	(150,708)	(632,011)
Balance – end of year	11,664,179	6,706,403

13. OTHER COMPREHENSIVE INCOME

Effective January 1, 2008, the Company changed its reporting currency from Canadian dollars to United States dollars. The consolidated assets and liabilities are translated at the period end exchange rates and the results of changes in these rates are recorded as an unrealized gain (loss) in comprehensive income (loss) and accumulated comprehensive income (loss).

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

The exchange rate for the Canadian dollar relative to the United States Dollar strengthened from Cdn $0.86 at December 31, 2006 to Cdn $1.02 at December 31, 2007 resulting in an unrealized gain on translation of the consolidated assets and liabilities of $32,064,162.

14. INCOME TAXES

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

	2008	**2007**
	$	**$**
(Loss) before income taxes	(12,729,902)	(8,966,498)
Statutory income tax rate	29.50%	32.12%
Expected tax (recovery)	(3,755,321)	(2,880,039)
Increase (decrease) in taxes resulting from:		
Non-deductible expenses	289,897	443,273
Effect of different tax rates in foreign jurisdictions	640,054	(1,517,770)
Changes in statutory rate changes in the year	523,180	-
Benefit of tax losses not recognized	2,603,330	3,388,515
Other	-	27,148
	301,140	(538,873)

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

	2008	**2007**
	$	**$**
Future income tax asset:		
Tax basis of liabilities below carrying value	348,006	92,202
Tax basis of capital assets in excess of carrying value	-	407,562
Tax benefit of loss carry forwards	-	412,019
Net future income tax asset	348,006	911,783

The Company incurred losses in several of the countries that it operates in. No accounting recognition has been given to the losses as there is uncertainty with respect to the ability to generate sufficient taxable income to utilize the losses.

At December 31, 2008 the Company had the following non-capital loss carryforwards:

	Expiry Dates	2008 $
Canada	2009-2028	17,255,000
Argentina	2012-2013	7,461,000
United Kingdom	No Expiry	3,184,000
Total		27,900,000

15. SUPPLEMENTAL CASH FLOW INFORMATION

	2008 $	2007 $
Operating activities:		
(Increase) in current assets:		
Accounts receivable	(625,827)	(1,911,598)
Inventory and prepaid expenses	(341,410)	(295,346)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	1,263,198	669,212
Income taxes payable	-	(272,847)
Employee share ownership plan contribution	176,169	114,509
	472,130	(1,696,070)
Investing activities:		
Decrease (increase) in current assets:		
Accounts receivable	(620,044)	1,172,345
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	(14,536,694)	16,657,206
	(15,156,738)	17,829,551
Interest received	2,153,230	3,687,375
Income taxes paid	41,247	372,427

16. SEGMENTED INFORMATION

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

			2007
	Revenue	**Earnings (loss)**	**Identifiable assets**
	$	$	$
Canada	-	(10,008,918)	95,009,705
Argentina	13,978,961	2,932,951	37,801,767
New Zealand	-	(30,020)	230
United Kingdom	-	(1,321,638)	174,583,165
Total	13,978,961	(8,427,625)	307,394,867

17. COMMITMENTS AND CONTINGENCIES

The Company has the following commitments in respect of its oil and gas properties:

In August 2008, the Company signed a rig contract for a drilling rig in the UK for a 60 day period during 2009 at $425,000 per day. Based on announcements by the prospective rig owner, it appears that this rig is no longer available for contract and the Company does not anticipate utilizing the rig in 2009. The Company is awaiting written confirmation from the prospective rig owner and the drilling management company engaged by the Company that the rig is no longer available for contract.

United Kingdom – Causeway

The Company has signed a contract for the front-end engineering design (FEED) study of the modifications required on the Dunlin platform for Causeway. The Company's commitment is approximately $250,000. The Company expects to fulfill the commitment in 2009.

United Kingdom – Fyne and Dandy

The Company acquired a 75% working interest in Block 21/28a in 2006 for $8 million. On approval of a field development plan, the Company has agreed to pay an additional $10 million as part of the acquisition cost of the block.

United Kingdom - South Larne

Under the terms of the Petroleum Prospecting Licence, the Company was required to complete geoscience surveys by October 2008 at a cost of $75,000, and commit to drilling an exploration well by mid October 2009 or relinquish the licence. Under the terms of the Minerals Prospecting Licence, Antrim was required to complete geoscience surveys by December 31, 2008 at a cost of $75,000. A decision to drill or drop the licence was required by December 31, 2008. One common work program of geophysical surveys and drilling one well would satisfy the conditions of both licences. The geoscience survey work has been completed. The Company has requested a one year extension to the licences on the drill or drop date from the Northern Ireland Department of Enterprise, Trade & Investment and has not received a response to date.

Argentina - Tres Nidos Sur

The Company acquired a 70% working interest in the Tres Nidos Sur Block in October 2007. Under the terms of the licence, the joint venture is required to acquire a minimum of 50 km^2 of 3D seismic and drill an exploration well by December 2009. Required permitting and environmental studies for the 3D seismic acquisition are underway.

Argentina – Tierra del Fuego

The company made a commitment of $902,300 related to the building and commissioning of a second gas sales pipeline across the Straits of Magellan linking gas production from the island of Tierra del Fuego with the Argentina mainland. Due to recent economic conditions, the Company believes that the planned construction of the pipeline will be deferred.

In addition to commitments in respect of its oil and gas properties, the Company is committed to payments under operating leases for office space, net of sub-lease arrangements, for the next five years as follows:

Year	$
2009	257,818
2010	122,070
2011	102,646
2012	102,646
2013	102,646
	687,826

18. FINANCIAL AND CAPITAL MANAGEMENT

The Company's objective when managing its capital is to maintain adequate levels of funding to support its exploration and development program and provide flexibility in the future development of its business. Historically the Company raised all of its capital requirements from internally generated cash flow and by the issuance of common shares and securities exchangeable for common shares. The Company's capital structure at December 31, 2008 consists entirely of common share capital. The Company had no bank debt at December 31, 2008.

The recent economic deterioration and restriction 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 minimize financial commitments on these assets.

In July 2008, Antrim entered into an agreement with the Bank of Scotland plc for a $50 million working capital facility. The working capital facility is available, subject to certain conditions, for pre-development costs associated with the Company's Causeway property and for the appraisal of the Fyne and Dandy fields. The amount available under the facility may increase as the Company prepares, submits and receives final approval of a field development plan for the Causeway Field. Availability under this working capital facility is presently $10 million. The Company is required to maintain two financial covenants being a semi-annual interest coverage ratio of 2:1 and an ongoing requirement that cash plus available borrowings under the facility are at least equal to its planned capital expenditures for the forthcoming three month period. The Company is in compliance with all terms, conditions and covenants. To date, no amounts have been drawn on this bank facility. The working capital facility matures on January 18, 2010.

19. 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, restricted cash and short-term deposits, accounts receivable, investment in NOR Energy AS, other non-current assets and accounts payable. Cash, restricted cash and short-term deposits are categorized as held-for-trading and are accounted for at fair value with the change in fair value recognized in net income during the period. Accounts receivable and other non-current assets are classified as loans and receivables and are accounted for at amortized cost. The investment in NOR Energy AS is classified as available-for-sale and accounted for at the lower of cost and net realizable value. Accounts payable are classified as other liabilities and is 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, restricted cash and accounts receivable.

Cash, 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 majority of oil and gas production is from two properties in Argentina and each property's production is sold to a single purchaser. Factors included in the assessment of accounts receivable for impairment are the relationship between the purchaser and the Company and the age of the receivable. As at December 31, 2008, the Company has provided for an allowance for doubtful accounts which is not material.

The Company's maximum exposure to credit risk at December 31, 2008 is equal to the carrying amount of cash, cash equivalents, restricted cash and accounts receivable on the Company's balance sheet on that date.

(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 2008, the Company had working capital of $35,267,367 compared to $88,923,886 at December 31, 2007. The contractual maturities of the Company's financial liabilities at December 31, 2008 are 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 oil and gas revenue is from oil and gas properties in Argentina. Oil and gas prices in Argentina are subject to mandated domestic market discounts which result in prices significantly below benchmark prices such as WTI. Oil and gas 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 mandated discount on domestic sales results in a similar ceiling, after quality adjustments, within the domestic market. 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.

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), while the functional currency of the Company is Canadian dollars. 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 which are denominated in Canadian dollars. 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 exposure to foreign currency exchange risk at December 31, 2008 can be summarized as follows:

	Balance Sheet Total	Cdn $	£	US $	ARS
		US $ Equivalent			
Cash and cash equivalents	35,337,007	29,009,438	2,808,383	848,900	2,670,286
Accounts receivable	5,186,806	186,274	2,234,670	403,337	2,362,525
Accounts payable	(6,201,849)	(431,700)	(2,091,977)	(297,636)	(3,380,536)
Total	34,321,964	28,764,012	2,951,076	954,601	1,652,275

The Company performed a sensitivity analysis of the effect on net loss and other comprehensive loss of a possible change in the strength of the Canadian dollar, the Company's functional currency, against these foreign currencies. A 5% strengthening of the Canadian dollar against the foreign currencies would result in a decrease to net loss of approximately $295,000 and would result in an increase to other comprehensive loss of approximately $17,800,000 for the year ended December 31, 2008. An equal but opposite impact to net loss and other comprehensive loss would result if the Canadian dollar weakened by 5%.

20. 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 2008, the Company incurred fees of $254,380 (2007 - $170,949) payable to Burstall Winger LLP, a law firm in which a director of the Company is a partner.