Antrim Energy Inc.

Consolidated Financial Statements
December 31, 2009 and 2008

March 23, 2010

Auditors' Report

To the Shareholders of
Antrim Energy Inc.

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

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

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

(signed) *"PricewaterhouseCoopers LLP"*

PricewaterhouseCoopers LLP
Chartered Accountants
Calgary, Alberta

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

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

Approved by the Board of Directors

(signed) *"Gerry Orbell"*
Director

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

Antrim Energy Inc.

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

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

Antrim Energy Inc.

Consolidated Statements of Comprehensive Income (Loss) and Accumulated Other Comprehensive Income (Loss)

For the years ended December 31, 2009 and 2008

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

Antrim Energy Inc.

Consolidated Statements of Cash Flows

For the years ended December 31, 2009 and 2008

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

1. NATURE OF OPERATIONS

Antrim Energy Inc. (Antrim or the Company) is a Calgary-based oil and natural gas company. Through subsidiaries, the Company conducts exploration, development and production activities in Argentina and exploration activities in the United Kingdom.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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

Management estimates and measurement uncertainty

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

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

Consolidation

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

Joint ventures

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

Cash and cash equivalents

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

Inventory

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

Petroleum and natural gas properties

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

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

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

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

Office equipment

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

Investments

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

Asset retirement obligation

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

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

Foreign currency translation

Effective January 1, 2009, operations of the Company's subsidiary in Argentina changed from integrated with a functional currency of Canadian dollars (Cdn $) to self-sustaining with a functional currency of Argentine pesos (ARS) (see Note 3). The Company now translates the financial statements of its Argentine subsidiary to Cdn $ using the current rate method of foreign

currency translation. Under the current rate method, all balance sheet items are translated at the exchange rate in effect on the balance sheet date and all revenue and expense items are translated at the exchange rate in effect on the date of the transaction. The resulting foreign exchange gain or loss is reported as an unrealized gain (loss) in comprehensive income (loss). The remaining operations of Antrim are considered to be integrated with a functional currency of Cdn $. The financial statements of the integrated subsidiaries are translated using the temporal method, whereby monetary assets and liabilities are translated at the exchange rate in effect on the balance sheet date, non-monetary assets and liabilities are translated at historical rates and revenues and expenses are translated at the monthly average exchange rate.

Revenue recognition

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

Stock-based compensation plans

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

Income taxes

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

Financial Instruments

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

Per share amounts

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

3. CHANGES IN ACCOUNTING POLICIES

Change in Functional currency

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

Other Changes

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

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

4. NEW ACCOUNTING STANDARD

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

5. INVENTORY AND PREPAID EXPENSES

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

6. PETROLEUM AND NATURAL GAS PROPERTIES

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

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

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

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

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

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

7. OFFICE EQUIPMENT

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

8. INVESTMENTS AND OTHER NON-CURRENT ASSETS

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

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

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

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

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

9. ASSET RETIREMENT OBLIGATIONS

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

Changes to asset retirement obligations were as follows:

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

10. CAPITAL STOCK

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

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

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

Stock options

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

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

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

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

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

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

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

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

Stock-Based Compensation Costs

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

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

Per Share Information

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

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

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

11. CONTRIBUTED SURPLUS

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

12. OTHER COMPREHENSIVE INCOME

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

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

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

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

13. INCOME TAXES

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

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

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

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

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

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

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

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

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

15. SEGMENTED INFORMATION

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

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

16. COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

17. FINANCIAL AND CAPITAL MANAGEMENT

The Company's objective when managing its capital is to maintain adequate levels of funding to support its exploration and development program and provide flexibility in the future development of its business. Historically the Company raised all of its capital requirements from internally generated cash flow and by the issuance of common shares and securities exchangeable for common shares. The Company's capital structure at December 31, 2009 consisted entirely of common share capital. The Company had no bank debt at December 31, 2009.

Current restrictions on availability of credit may limit the Company's ability to access debt or equity financing for its development projects. The Company forecasts cash flows against a range of macroeconomic and financing market scenarios in an effort to identify future liabilities and arrange financing, if necessary. The Company has reduced the time frame in projecting its future expenditures from an annual budget to a quarterly and, where applicable, monthly forecast process. This reduction in the time horizon will allow the Company to better adapt to changing market conditions. Although the Company may need to raise additional funds from outside sources, if available, in order to develop its UK properties, the Company maintains flexibility to manage financial commitments on these assets.

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

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISKS

Financial instruments

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

The Company's financial instruments consist of cash, short-term deposits, accounts receivable, other non-current assets and accounts payable. Cash and short-term deposits are categorized as held-for-trading and are accounted for at fair value with the change in fair value recognized in net

income during the period. Accounts receivable and other non-current assets, as described in note 8, are classified as loans and receivables and are accounted for at amortized cost. Accounts payable are classified as other liabilities and are accounted for at amortized cost. Due to the short-term maturity of the Company's financial instruments, fair values approximate carrying amounts. The fair value of the long term bonds is not materially different than the carrying amount.

Financial risks

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

(a) Credit risk

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

Cash and cash equivalents are on deposit with reputable Canadian and international banks, and therefore the Company does not believe these financial instruments are subject to material credit risk. The majority of oil and gas production is from two properties in Argentina and each property's production is sold to a single purchaser. Factors included in the assessment of accounts receivable for impairment are the relationship between the purchaser and the Company and the age of the receivable. As at December 31, 2009, the Company has provided for an allowance for doubtful accounts which is not material.

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

(b) Liquidity risk

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

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

(c) Market risk

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

(d) Commodity price risk

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

(e) Foreign currency exchange risk

The Company is exposed to fluctuations in foreign currency exchange rates as many of the Company's financial instruments are denominated in United States dollars, British pounds sterling ("£") or Argentine pesos. As a result, fluctuations in the United States dollar, British pounds sterling, and Argentine peso against the Canadian dollar could result in unanticipated fluctuations in the Company's financial results. The Company seeks to minimize foreign exchange risk by holding cash and cash equivalents in Canadian dollars when not required in support of current operations.

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

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

19. RELATED PARTY TRANSACTIONS

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

20. SUBSEQUENT EVENTS

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

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

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