

# Q1/01



Three Months Ending March 31, 2001



**ANTRIM**  
ENERGY INC.

TSE: AEN

[www.antrimenergy.com](http://www.antrimenergy.com)

## MESSAGE TO SHAREHOLDERS

### HIGHLIGHTS FOR THE QUARTER

- Gross revenue of \$1,296,519
- 2 appraisal wells drilled in New Zealand
- Working capital of \$2,909,377 at quarter end
- Commenced trading on the TSE

Antrim is pleased to report that during the first quarter of 2001, the Company's drilling operations continued to be successful in New Zealand and oil production rates increased from the Company's property in Argentina. The Company's high impact exploration program continued with the spudding of the Kauri well in New Zealand (May 2001). The exploration program in North Africa was put on temporary hold pending the arrival of drilling equipment, and the Australian offshore North West Shelf program was confirmed with positive results gained from a hydrocarbon slick analysis over the seismically defined Causeway Prospect.

#### *New Zealand*

Two appraisal wells were drilled on the proven Rimu oil trend (PEP 38719 - Antrim 5% working interest). The first appraisal well on the 'A' pad (Rimu A-2) was cased for later testing of the Upper Tariki Sandstone and Rimu Limestone intervals. The second appraisal well from the 'A' pad (Rimu A-3) commenced drilling during the quarter. A-3 has since been cased to a depth of 3675 metres in preparation for production testing. Wireline logs indicate a section at least 20 metres thick of potential oil-bearing pay in the Upper Tariki Sandstone. On the 'B' pad, additional testing of the Rimu B-1 well resulted in a stabilized rate of 505 barrels of 46-degree API gravity crude oil and 2.8 MMcf of gas per day from the Rimu Limestone.

Subsequent to the end of the first quarter, additional production testing is being conducted on the five wells drilled to date. Drilling operations have also commenced on the Kauri exploration well. The Kauri well is a 7-kilometre stepout from the initial Rimu A-1 discovery well, which tested 1,525 bopd and 4.5 MMcf of natural gas per day, and is prognosed to intersect the oil bearing Rimu reservoirs at structurally higher elevations than the previous wells. Design and construction of the Rimu oil production and gas-processing facilities has begun. These facilities are initially designed to handle 3,500 bopd and 10 MMcf of natural gas per day and are expected to be completed and operational before year-end. The modular design of these facilities will allow the operator to increase the operating capacity at a later date to 7,500 bopd and 18 MMcf of gas per day. The operator (Swift Energy) has also announced an agreement to sell 38 Bcf of natural gas over a 10-year period to a New Zealand electricity generator, Genesis Power Limited.

Finding costs in New Zealand amount to Cdn \$2.27/boe based on an independent engineering report (January 1, 2001) on a proven plus risked (50%) probable reserve of 1.3 million boe net to Antrim's interest.

#### *Argentina*


Oil production rates from the Puesto Guardian field (Antrim 40% working interest) continued to increase from 307 bopd for the first quarter 2000 to 338 bopd during the first quarter of 2001. However, significant new field operations were delayed due to the seasonal rains. An independent engineering report indicates remaining recoverable reserves at January 1, 2001 were 1.6 million barrels (proven plus risked (50% probable) net to Antrim's interest.

***Tunisia***

The deepening of the Chott Fejaj #3 well has been delayed until later in 2001 due to the high demand for drilling rigs in the region. The Chott Fejaj #3 was previously cased and suspended at a depth of 3,532 metres (700 metres above the primary reservoir target). The deepening operation will penetrate the sealing salt section present at current depth and drill a large structural closure expected to contain Triassic and Paleozoic reservoirs. These objectives are prolific gas and oil producers in Algeria, Tunisia and Libya. Antrim has increased its working interest to 34.286% in this prospect.

***Australia***

Seismic reprocessing has confirmed the Causeway prospect on WA-306-P. Causeway is a 4,000-acre structural closure at the primary reservoir level (Jurassic sandstone). The structure is defined by a grid of closely spaced seismic data. Satellite imagery has also identified natural oil slicks over the area of Antrim's permits (WA-306-P and WA-307-P: Antrim 37.5% working interest and Operator).



Stephen Greer, Chairman & CEO

Calgary, Alberta

May 25, 2001

## MANAGEMENT'S DISCUSSION OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

### **Revenue, Cash Flow and Net Income**

Oil production in Argentina for the first quarter of 2001 amounted to 30,390 barrels (338 bopd) compared to 27,900 barrels (307 bopd) in the corresponding quarter of 2000, contributing to gross revenues of \$1,296,519 compared to \$1,346,599 in 2000. The remainder of the Company's revenue is derived from a gas well in the Czech Republic and amounted to \$86,490 in the first quarter compared to \$146,959 in 2000. The decline resulted from mechanical well problems that have now been solved. Total revenues were down marginally due to the sale of Canadian production towards the end of the first quarter of 2000.

Operating cash flow for the quarter amounted to \$296,660 (\$0.02 per share), compared to \$428,305 (\$0.03 per share) in the first quarter of 2000. Net income for the quarter ended March 31, 2000 amounted to \$24,158 (\$0.00 per common share) compared to \$170,064 (\$0.01) per common share in the first quarter of 2000. On a consolidated basis, the Company experiences relatively high rates of income tax due to the inability to offset income from Argentina with costs incurred in other jurisdictions.

### **Liquidity and Capital Resources**

At the end of the quarter Antrim had working capital of \$2,909,377, compared to \$3,994,963 at the end of 2000. The decrease resulted mainly from capital expenditures on production facilities, drilling and testing in New Zealand.

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**CONSOLIDATED BALANCE SHEETS**

As at March 31, 2001 and December 31, 2000  
 (Unaudited)

	March 31, 2001	December 31, 2000
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term deposits	\$ 3,332,105	\$ 4,169,007
Accounts receivable	1,501,891	1,523,187
Inventories and other	133,835	184,138
	<u>4,967,831</u>	<u>5,876,332</u>
<b>Petroleum and natural gas properties</b>	14,104,616	12,998,824
<b>Office equipment</b>	<u>139,448</u>	<u>134,262</u>
	<u>\$ 19,211,895</u>	<u>\$ 19,009,418</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	<u>\$ 2,058,454</u>	<u>\$ 1,881,369</u>
<b>Future income taxes</b>	<u>2,458,226</u>	<u>2,473,353</u>
<b>Site restoration liability</b>	<u>53,187</u>	<u>36,826</u>
<b>Shareholders' Equity</b>		
<b>Capital Stock</b>	20,234,180	20,234,180
<b>Deficit</b>	<u>(5,592,152)</u>	<u>(5,616,310)</u>
	<u>14,642,028</u>	<u>14,617,870</u>
	<u>\$ 19,211,895</u>	<u>\$ 19,009,418</u>

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**CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT**

For the three month periods ended March 31, 2001 and 2000

(Unaudited)

	<u>2001</u>	<u>2000</u>
<b>Revenue</b>		
Oil and gas	\$ 1,296,519	\$ 1,346,599
Royalties	(179,470)	(153,875)
	<u>1,117,049</u>	<u>1,192,724</u>
<b>Interest and other income</b>	<u>29,044</u>	<u>24,423</u>
	<u>1,146,093</u>	<u>1,217,147</u>
<b>Expenses</b>		
Operating	287,065	283,965
General and administrative	398,000	339,348
Depletion, depreciation and amortization	272,502	258,241
	<u>957,567</u>	<u>881,554</u>
<b>Income for the period before income taxes</b>	188,526	335,593
Income taxes	<u>164,368</u>	<u>165,529</u>
<b>Income for the period</b>	24,158	170,064
<b>Deficit - Beginning of period</b>	<u>5,616,310</u>	<u>3,004,104</u>
<b>Deficit - End of period</b>	<u>\$ 5,592,152</u>	<u>2,834,040</u>
Income per common share	<u>\$ 0.00</u>	<u>\$ 0.01</u>

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**CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION**

For the three month periods ended March 31, 2001 and 2000

(Unaudited)

	<u>2001</u>	<u>2000</u>
<b>Cash flows from operating activities</b>		
Income for the period	\$ 24,158	\$ 170,064
Items not involving cash		
Depreciation, depletion and amortization	<u>272,502</u>	<u>258,241</u>
	296,660	428,305
Changes in non-cash working capital	<u>248,684</u>	<u>(376,312)</u>
	<u>545,344</u>	<u>51,993</u>
<b>Cash flows from investing activities</b>		
Office equipment	(18,757)	(27,896)
Petroleum and natural gas properties	(1,363,489)	(78,468)
Proceeds from sale of producing properties	<u>-</u>	<u>965,000</u>
	<u>(1,382,246)</u>	<u>858,636</u>
<b>Increase (decrease) in cash and short-term deposits for the period</b>	(836,902)	910,629
<b>Cash and short-term deposits - Beginning of period</b>	<u>4,169,007</u>	<u>2,380,082</u>
<b>Cash and short term deposits - End of period</b>	<u>\$ 3,332,105</u>	<u>\$ 3,290,711</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited) (in thousands of Canadian dollars)

**Summary of Significant Accounting Policies**

These consolidated financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants' ("CICA") recommendations for the preparation of interim financial statements. Certain information and note disclosures normally included in the Company's annual consolidated financial statements are not presented. These interim consolidated financial statements and notes should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2000. These interim consolidated financial statements are not necessarily indicative of the results to be expected for the year ending December 31, 2001.

These interim consolidated financial statements follow the same accounting policies and methods as have been followed for the most recent annual consolidated financial statements except for the computation of earnings per share as discussed below.

**Earnings per Share**

Effective January 1, 2001, the Company adopted the CICA's recommendations related to computing earnings per share. These recommendations require the application of the treasury stock method for the calculation of the dilutive effect of stock options and other dilutive securities. The application of these new recommendations has no significant impact on the comparative earnings per share calculations.

**Share Capital**

At March 31, 2001, there were 14,972,694 common shares outstanding. In addition, there were outstanding 1,125,000 options to purchase common shares at prices ranging from \$0.62 to \$1.19 per common share. There were also 1,069,476 common share purchase warrants outstanding, entitling the holder to purchase one common share at a price of \$1.50 per common share. These warrants expire on November 30, 2001.



## CORPORATE INFORMATION

### DIRECTORS

John Brussa 1

Partner, Burnet, Duckworth & Palmer

Stephen Greer 2

Chairman and Chief Executive Officer, Antrim Energy Inc.

V. Neill Martin 2,3

Principal, D&S International Consultants Ltd.

Murray Nunns 1,2,3

Executive Vice President and Chief Operating Officer, Rio Alto Exploration Ltd.

Dick Walls 1,3

President, Canadian Midstream Services Ltd.

(1) *Member of the Audit Committee*

(2) *Member of the Compensation Committee*

(3) *Member of Reserves Committee*

### OFFICERS

Stephen Greer, M.Sc. (Geology)

Chief Executive Officer

Keith Skipper, M.Sc. (Geology)

Executive Vice President

J. Keith Scrimger, C.A.

Chief Financial Officer

Dwayne Warkentin

Vice President, Operations

### INTERNATIONAL SUBSIDIARIES

Antrim Energy Ltd.

Antrim Resources (N.I.) Limited

Antrim Oil and Gas Limited

Antrim Resources (Tanzania) Limited

Beheer-en Beleggingsmaatschappij Beklazo b.v.

Spartan Resources (Ireland) Ltd.

Netherfield Corporation

Netherfield Resources Limited

Antrim Energy Australia Pty Limited

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### LEGAL COUNSEL

Burnet, Duckworth & Palmer

Calgary, Alberta

### BANKERS

Toronto-Dominion Bank of Canada

### AUDITORS

PricewaterhouseCoopers LLP

Calgary, Alberta

### INDEPENDENT ENGINEERS

McDaniel & Associates Consultants Ltd.

### REGISTRAR AND TRANSFER AGENT

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

CIBC Mellon Trust Company

Calgary, Alberta

### STOCK EXCHANGE LISTING

The Toronto Stock Exchange

Trading Symbol: "aen" & "aen.wt"

### CORPORATE HEADQUARTERS

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