



## **2009 ANNUAL REPORT**

**ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES**

ABN 75 009 230 835

**ANNUAL REPORT  
FOR THE YEAR ENDED  
31 DECEMBER 2009**

## **ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES**

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### **COMPANY DIRECTORY**

#### **DIRECTORS:**

James Cruickshank, Executive Chairman & CEO  
Matthew Gentry, Chief Operating Officer  
Gregory Shoemaker, Chief Scientist  
Mark Clohessy, Non-Executive Director  
Vicky McAppion, Finance & Administration Manager

#### **COMPANY SECRETARY:**

Vicky McAppion

#### **REGISTERED OFFICE:**

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West Perth, WA, 6005  
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Website: [www.antaresenergy.com](http://www.antaresenergy.com)

#### **AUDITORS:**

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
Perth WA 6000

#### **SOLICITORS:**

Allens Arthur Robinson  
Level 37, QV.1  
250 St Georges Terrace  
Perth WA 6000

#### **BANKERS:**

Bank of Western Australia Ltd  
1215 Hay Street  
West Perth, WA, 6005

#### **SHARE REGISTRY:**

Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153  
Telephone: + 61 (0) 8 9315 2333  
Facsimile: + 61 (0) 8 9315 2233

### **ANNUAL GENERAL MEETING**

The Annual General Meeting of Antares Energy Limited will be held at 3pm on Wednesday 26<sup>th</sup> May 2010 at Level 31 Allendale Square, 77 St Georges Terrace, Perth, Western Australia 6000.

## **CHAIRMAN'S LETTER**

Antares' financial discipline and operational diligence has resulted in a very successful year of growth, with all shareholders having been able to reap the reward through a greater than 1000% increase in share price.

Antares has had a very successful year on both the corporate and operational sides of its business.

The corporate side has seen success with considerable debt reduction through the very successful buy back and cancellation of convertible notes designated AZZG as well as the renegotiation of the remaining convertible notes for another three year period on the same terms and conditions, inclusive of a 1:1 conversion ratio and a \$2.00 strike price. Additionally the share registry has been successfully institutionalized with capital raisings at a premium to market prices to some of the world's finest institutions. Capital raisings designed and managed to create further wealth for all shareholders, have been heavily over subscribed and priced at increases of up to 150% above the previous capital raising.

The operational side has seen success with the discovery well, Frances Dilworth No 2H, providing proof of concept for our Eagle Ford shale projects, Yellow Rose and Bluebonnet. Additionally our proven and probable reserves are now 8,155 Mboe having increased by over 1300% year on year. This operational success has allowed Antares to pursue its 10 well 2010 Eagle Ford shale drilling program which will be followed by an additional 10 wells in 2011 and 15 wells in 2012 resulting in a further dramatic increase in reserves and all Eagle Ford shale projects being held by production.

Now that both sides of our business are performing optimally, Antares has amply demonstrated its ability to acquire additional highly prospective acreage in the Eagle Ford shale at prices reflecting long term relationships as well as increase its percentage interest in existing successful projects. Antares sees tremendous growth opportunities in the Eagle Ford shale and will continue to acquire shareholder wealth generating acreage with known partners at prices that result from living and working in the location of operations.

Over 200 million dollars of wealth creation has been achieved for the benefit of shareholders and reflected in Antares' current market capitalization resulting in Antares joining the Standard & Poor's All Ordinaries Index. Antares is now working towards joining the S&P/ASX 300 Index on the 19<sup>th</sup> September 2010.

Finally I would like to thank our Directors and employees for their incredible loyalty and perseverance as well as their selfless dedication to the success of Antares and the betterment of the shareholders.



J. A. CRUICKSHANK  
Chairman  
31 March 2010

## **DIRECTORS' REPORT**

The directors of Antares Energy Limited ("Antares" or "the Company") present their report and the financial report of Antares and the entities it controlled ("the Consolidated Entity") at the end of, or during the year ended 31 December 2009.

### **1. DIRECTORS**

The directors in office at any time during the year to 31 December 2009 and until the date of this report are as follows. Directors were in office for this entire period unless specified otherwise.

**James Andrew Cruickshank, B.Com, GDipAppnFin, GAICD, ASA, F.Fin** – Executive Chairman and CEO

Mr Cruickshank has over 20 years of commercial experience in Commercial Banking and Equity Markets. In addition, Mr Cruickshank has served overseas with the Royal Australian Regiment of the Australian Armed Forces as a result of being a graduate of The Royal Military College Duntroon where he was awarded the Leadership Award. Mr Cruickshank is a graduate of the University of Canberra with a Bachelor of Commerce with a double major in Banking & Finance and Accounting as well as holding a Graduate Diploma in Applied Finance with a major in Investment Analysis from the Securities Institute of Australia. Mr Cruickshank is a Graduate of the Australian Institute of Company Directors Diploma qualification. Mr Cruickshank has completed Advanced Certificates at the University of New South Wales, School of Petroleum Engineering, concerning the Oil & Gas Industry and the Australasian Investor Relations Association concerning Advanced Investor Relations. Mr Cruickshank is a member of CPA Australia and a Fellow of the Financial Services Institute of Australasia. Mr. Cruickshank is a member of the Audit and Compliance Committee, Remuneration Committee and Nomination Committee of Antares Energy Limited. Mr. Cruickshank has held no other public company directorships during the last three years.

**Matthew David Gentry, M.Sc. Geology, B.Sc. Geoscience** – Director & Chief Operating Officer  
(Appointed 16 October 2009)

Mr Gentry is a Certified Petroleum Geologist with the American Association of Petroleum Geologist (AAPG) with over ten years of geological and operational management experience. Mr Gentry's most recent position within Antares Energy was that of Chief Geologist. Prior to joining Antares, Mr Gentry served as Geological Manager for Dallas, Texas based operator Camden Resources, focusing on geological operations and exploration in the Gulf Coast, United States. He began his career in the oil industry with Shell Exploration and Production Company as an Exploration Geologist. Furthermore, Mr Gentry has held internships at Amerada Hess and Paramount Petroleum. He is a graduate of Texas A&M University (M.Sc. – Geology) and Mississippi State University (B.Sc. – Geoscience). Additionally, Mr Gentry holds memberships in the Society of Petroleum Engineers (SPE), the Society of Exploration Geophysicists (SEG) and the Houston Geological Society (HGS). Mr Gentry has held no other public company directorships during the past three years.

**Gregory David Shoemaker, B.Sc. Geosciences (Geophysics)** – Director & Chief Scientist  
(Appointed 16 October 2009)

Mr Shoemaker is a 28 year veteran of onshore/offshore international and US exploration projects in which he has principally served as a lead Geoscientist. Mr Shoemaker's most recent position within Antares Energy was that of Chief Geophysicist. Prior to joining Antares, Mr Shoemaker has served as an Exploration and General Manager in European onshore/offshore seismic and drilling campaigns and as a New Ventures Specialist with worldwide experience in over 250 basins. He is a graduate of The University of Texas (B.Sc. – Geosciences (Geophysics Major/Geology Minor)). Mr Shoemaker holds memberships in the Society of Exploration Geophysicists (SEG) and the Houston Geological Society (HGS). Mr Shoemaker has held no other public company directorships during the past three years.

**Vicky Ann McAppion, CSA(Certificate in Governance, Practice and Administration)** – Director & Company Secretary  
(Appointed 16 October 2009)

Mrs McAppion has twenty years accounting experience in the energy and resource industries. Mrs McAppion's most recent position within Antares Energy was that of Finance & Administration Manager. Prior to joining Antares, Mrs McAppion served in various accounting roles within Rio Tinto Limited for eleven years. Mrs McAppion has held no other public company directorships during the past three years.

**Mark Gerard Clohessy BA, GDippAppFin, F.FIN, Cert REM** – Non Executive Director  
(Appointed 16 October 2009)

Mr Clohessy is Managing Director of Structured Property Finance Pty Ltd with over 25 years experience in the commercial property finance industry. Prior to commencing his own consultancy business Mr Clohessy was a shareholder and Director of Security Capital Corporation Pty Ltd (SCC) for 20 years. SCC is one of Australia's oldest and most respected Financial Broking Houses. Mr Clohessy is also a Director of WA Property Syndications Ltd which holds an Australian Financial Services License and is one of Australia's largest private property syndicators. Mr Clohessy is also a shareholder and Director of Australian Superannuation and Compliance Pty Ltd which specialises in the management of Self Managed Superannuation Funds. Mr Clohessy is a Fellow of the Financial Services Institute of Australasia and holds membership of the Mortgage Finance Association of Australia (MFAA.) Mr Clohessy is Chairman of the Audit and Compliance Committee, Remuneration Committee and Nomination Committee of Antares Energy Limited. Mr Clohessy has held no other public company directorships during the past three years.

**Richard Alden Elliott, BS(Hons) MS, MAICD** - Non-Executive Chairman  
(Retired 16 October 2009)

Mr Elliott is a member of AAPG (American Association of Petroleum Geologists) and the AICD (Australian Institute of Company Directors). Mr Elliott worked for Gulf Oil Corporation for six years and then Occidental Petroleum for 13 years where he was a Regional Exploration Manager before becoming Managing Director of Australian Occidental Petroleum. During his stewardship, Australian Occidental discovered the Jabiru, Challis, Harriet and Blina oil fields. After leaving Occidental he was principal of a resource consultancy firm in Western Australia and spent 6 years as Consultant to the Premier of Western Australia. Mr Elliott was a director of Arc Energy Limited from July 1998 to November 2003. Mr Elliott was Chairman of the Nomination Committee and was a member of the Audit and Compliance and Remuneration Committees. Mr. Elliott has held no other public company directorships during the last three years.

**William Ralph Boucher Hassell A.M., J.P., LL.B., M.A, MAICD** - Non-Executive Director  
(Retired 16 October 2009)

Mr. Hassell is a qualified lawyer and a former State Member of Parliament, State Minister of the Crown and State Opposition Leader. Mr. Hassell's commercial experience includes property and commercial legal work, consulting work and directorships of public and private companies. From 1994 to 1997 Mr. Hassell represented Western Australia as Agent General in Britain and Europe. Mr. Hassell is a member of the Australian Institute of Company Directors and the Honorary Consul for the Federal Republic of Germany in Western Australia. He is a member of the Innovation Australia Board (Commonwealth), Chairman of its Automotive and Innovative Grants Committees, and partner in a small private consultancy. He undertakes significant charitable and voluntary work. Mr Hassell was Chairman of the Audit and Compliance Committee and was a member of the Remuneration and Nomination committees of Antares Energy Limited. Mr Hassell has held no other public company directorships during the last three years.

## COMPANY SECRETARY

**Vicky McAppion** (Appointed 16 October 2009)

At the date of this report, the directors' share and option holdings and relevant interests therein were:

Name of Director	Fully Paid Ordinary Shares	Performance Rights
J.A. Cruickshank	8,000,000	1,933,334
G.D. Shoemaker	136,333	650,002
M.G.Gentry	650,000	583,334
V.A.McAppion	29,892	166,666
M.G. Clohessy	2,675,000	-

During the year to 31 December 2009 seven directors' meetings were held. The number of meetings attended by each director and the number of meetings held during each director's term of office during the financial year are shown below.

	Board of Directors' Meetings		Remuneration Committee Meetings		Audit and Compliance Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
J.A. Cruickshank	7	7	1	1	-	-
G.D. Shoemaker	-	-	-	-	-	-
M.G.Gentry	-	-	-	-	-	-
M G Clohessy	-	-	1	1	-	-
V A McAppion	1	1	-	-	-	-
R.A. Elliott	6	6	-	-	2	2
W.R.B. Hassell	6	6	-	-	2	2

### Remuneration Committee

The Remuneration Committee comprises of Messrs Clohessy (Chairman) and Cruickshank.

### Audit and Compliance Committee

The Audit and Compliance Committee comprises of Messrs Clohessy (Chairman) and Cruickshank.

### Nomination Committee

The Nomination Committee comprises of Messrs Clohessy (Chairman) and Cruickshank. No nomination committee meetings were held during the year.

## 2. PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity during the financial year were hydrocarbon production and exploration in the United States of America.

### 3. FINANCIAL RESULTS

The net loss after income tax of the Consolidated Entity for the year ended 31 December 2009 was \$3.195 million (2008: profit of \$0.601 million).

### 4. DIVIDEND

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial period, or to the date of this report.

### 5. SHARE OPTIONS

During the year to 31 December 2009 and to the date of this report no fully paid ordinary shares have been issued as a result of the exercising of options.

At the date of this report, the Company has no options for ordinary fully paid shares on issue

Since 31 December 2009 and to the date of this report no options have been issued and all options on issue at 31 December 2009 (666,666) have lapsed. Refer to Notes 13 and 24 of the financial statements for more details.

### 6. CORPORATE STRUCTURE

Antares Energy Limited is a company limited by shares that is incorporated and domiciled in Australia.

### 7. OPERATING AND FINANCIAL REVIEW

#### Overview of the Consolidated Entity

Antares Energy Limited is determined to be a successful exploration and production company pursuing oil and gas opportunities located onshore Texas, United States of America. Antares is focused upon the Eagle Ford Shale and more specifically its two key projects being Yellow Rose and Bluebonnet.

As at 31 December 2009 our estimated total proved and probable reserves were approximately 8,155,000 barrels of oil equivalent. We maintain our endeavour of achieving a portfolio of long lived, lower risk properties, which are typically characterised by lower geological risk and a large inventory of identified drilling opportunities.

#### Performance Indicators

The Board and management team establish and approve the direction of the Company by discussing and preparing strategic plans and budgets. The key performance indicators identified from the plans and budgets are used to monitor performance. Management monitor the key performance indicators on an ongoing basis and the Board receives outcomes for review, allowing the directors to actively monitor performance and change strategy as required.

#### Dynamics of the Business

In the USA oil and gas prices have remained subdued over the year primarily due to reduced demand as a result of a depressed US economy. Subdued prices have reduced the demand for drilling rigs and thus the pricing of drilling rigs and associated services has fallen.

#### Operating Results for the Period

	<u>Year ended 31</u> <u>December 2009</u>	<u>Year ended 31</u> <u>December 2008</u>
Production (BCFe)	0.4	0.5
Production ('000 BOE)	60	91
Sales revenue (\$mil.)	3.373	8.100
Overall net profit/(loss) after tax (\$mil.)	(3.195)	0.601
Operating cashflow (\$mil.)	0.627	3.271

Antares has maintained its focus on developing and building upon its current assets in the Eagle Ford shale. On October 19<sup>th</sup> 2009 Antares announced that the horizontal drilling of the Frances Dilworth No. 2H lateral had exceeded previously advised expectations of a planned length of 3,000 feet by reaching an approximate length of 3,400 feet being the longest possible legal length in this particular location. Total measured depth of the well bore inclusive of vertical and horizontal sections was approximately 14,475 feet. The entire horizontal wellbore had encountered gas filled Eagle Ford shale. Subsequently, 4.5" production casing was placed and cemented over the entire Eagle Ford shale lateral length of approximately 3,400 feet.

Subsequently Antares announced the successful completion of fracture stimulation operations on the Frances Dilworth No. 2H. Antares then announced that the Initial Production (IP) rate of the Frances Dilworth No. 2H was 790 Bo/d and 900 Mcf/d with an initial flowing tubing pressure of 4,500 psi on a 22/64" choke. The well flowed 53 API gravity oil and 1,300 MBTU/Mcf gas. This equates to a 15.4 Mmcf/d rate on an 18:1 revenue equivalency basis accounting for the quality of the liquids rich gas. The well is currently flowing to sales through a 6" gas pipeline.

Due to the success of the Frances Dilworth No. 2H as well as that of surrounding Eagle Ford completions, Antares and its operating partner San Isidro Development Company have begun the drilling of the Frances Dilworth No. 3H and preparation of the Frances Dilworth No. 4H. Operational success has allowed Antares to pursue its 10 well 2010 Eagle Ford shale drilling program which will be followed by an additional 10 wells in 2011 and 15 wells in 2012 resulting in a further dramatic increase in reserves and all Eagle Ford shale projects being held by production.

On October 29<sup>th</sup> Antares Energy announced the acquisition of a major new Eagle Ford shale project. The Bluebonnet project, located in McMullen County less than four miles north of the Yellow Rose project, is a contiguous 5,754 acre tract in which Antares has an 87.5% working interest. San Isidro Development Company is the operating partner and has a 12.5% working interest.

Numerous pre-existing Eagle Ford shale penetrating wells surrounding the Bluebonnet project confirm the existence of a high quality, thick, hydrocarbon-filled Eagle Ford shale.

**Reserves position**

Estimates of the proved, probable and possible reserves and resultant future cash flows of the Consolidated Entity's oil and gas assets as at 31 December 2009 are below. The estimates were prepared by Mr Matthew Gentry, the Company's Chief Operating Officer, in accordance with generally accepted engineering and evaluation principles as set forth by the Society of Petroleum Engineers. The Company estimated the net reserves and cash flows of the Consolidated Entity as at 31 December 2009 to be as follows:

Category	Net Reserves		Future Net Cash Flow*	
	Oil (Barrels)	Gas (Thousand Cubic Feet (Mcf))	Total (USD)	Present Worth at 10% (USD)
Proved Developed				
Producing (PDP)	58,180	501,980	6,560,350	5,794,100
Non-Producing (PDNP)	141,160	1,058,670	15,237,150	8,924,110
Proved Undeveloped	684,380	2,053,140	40,797,270	10,973,520
<b>Total Proved (1P)</b>	<b>883,720</b>	<b>3,613,790</b>	<b>62,594,770</b>	<b>25,691,730</b>
Probable	4,367,940	13,807,180	286,492,430	104,761,980
<b>Proved and Probable (2P)</b>	<b>5,251,660</b>	<b>17,420,970</b>	<b>349,087,200</b>	<b>130,453,710</b>
Possible	9,772,900	29,318,690	661,308,440	192,065,360
<b>Proved, Probable and Possible (3P)</b>	<b>15,024,560</b>	<b>46,739,660</b>	<b>1,010,395,640</b>	<b>322,519,070</b>

\* Basic assumptions are:

- (i) Summarized in the above table are the estimates of net reserves and future net cash flow. Future net cash flow is after deducting estimated production and ad valorem taxes, operating expenses and future capital expenditures but before consideration of federal income taxes. The net reserves and future net cash flow to the Antares' interest, as of December 31, 2009 using commodity prices of \$80/bo and \$5/mcft, is as above.
- (ii) Lease and well operating expenses, capital costs and timing of all investments are based on data obtained from Antares and are held constant throughout the life of the properties.
- (iii) This report is based on information which has been compiled by Antares Energy's Chief Operating Officer, Mr. Matt Gentry, who is a full-time employee of Antares Energy. Mr. Gentry exceeds the professional qualifications of reserve estimators as set forth by the SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE-PRMS). Mr. Gentry is a certified Petroleum Geologist (No. 6023) with the American Association of Petroleum Geologists. Additionally, Mr. Gentry is qualified in accordance with ASX Listing Rule 5.11 and has consented to the form and context in which this statement appears.

**Shareholder Returns**

The following table shows the last five years financial performance against shareholder returns as measured by the closing share price at 31 December each year (30 June for 2006 and prior).

	12 months to 31 Dec 2009	12 months to 31 Dec 2008	12 months to 31 Dec 2007	6 months to 31 Dec 2006	12 months to 30 June 2006	12 months to 30 June 2005
Sales revenue (\$'million)	3.373	8.100	2.974	1.199	9.156	23.070
Net profit/(loss) after tax (\$'million)	(3.195)	0.601	(37.386)	(2.896)	5.547	1.231
Basic earnings/(loss) per share (cents)	(1.6)	0.4	(23.6)	(1.8)	3.5	0.4
Closing period end share price (\$)	0.61	0.05	0.44	0.71	0.39	0.44

Notes:

- 1. No dividends were paid at any time over the last five years.
- 2. In the 12 months to 31 December 2007, the Company bought back 275,475 shares on-market at an average price of \$0.780. In the six months to 31 December 2006 the Company bought back 53,750 shares on-market at an average price of \$0.3883. In the 12 months to 30 June 2006, the Company bought back 2,437,087 shares on-market at an average price of \$0.399.
- 3. Sales revenue, net profit after tax and EPS include discontinued operations.

**Strategy and Investments for Future Performance**

The Company has a strategy to explore, develop and produce within the Eagle Ford shale onshore, Texas Gulf Coast, USA. The company is maintaining an operational office in Houston, Texas and the corporate office remains in Perth, Western Australia.

## 8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is a party to various exploration and development licences or permits in the country in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. The Consolidated Entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no significant known breaches of the environmental obligations of the Consolidated Entity's licences.

## 9. REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Company. The information contained in the Remuneration Report has been audited.

### 9.1 Remuneration policies

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to directors and executives of the Company.

Remuneration levels for directors, senior executives of the Company, and relevant executives of the Consolidated Entity ("the key management personnel") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The remuneration committee evaluates the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitable, qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the ability of directors and senior executives to control the performance of the relevant area of responsibility;
- the performance of the Consolidated Entity including:
  - the success of exploration and production operations;
  - the Consolidated Entity's earnings;
  - the growth in share price and returns to shareholders; and
- the amount of incentives within each executive's remuneration.

Remuneration packages typically include a mix of fixed and variable remuneration and short and long-term performance-based incentives.

#### Hedging of equity awards

The Company prohibits executives from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

### 9.2 Executive Chairman and Executive Directors

#### Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds where applicable.

Remuneration levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Consolidated Entity. A review of externally provided remuneration data is conducted to ensure the executive chairman's and other Key Management Personnel's remuneration is competitive in the market place. Remuneration is also reviewed on promotion. Key Management Personnel are as set out in 9.4 "Key Management Personnel" below.

#### Variable remuneration

Variable remuneration is designed to reward the executive chairman for meeting or exceeding financial, operational and/or individual objectives or expectations. While these criteria are used as a guide, the awarding of variable remuneration is at the discretion of the board. Those incentives are an "at risk" bonus provided in the form of cash and/or performance rights.

#### Performance Rights

Any performance rights granted are issued under the Performance Rights Plan as approved by shareholders at the annual general meeting held on 23 November 2004. The Board formulated the Performance Rights Plan to align the long-term creation of value for shareholders with rewards to employees, including executive directors. Non-executives are not entitled to participate in this Plan. There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date.

Under the plan the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights. For both Series 1 and Series 2 the Board selected a mix of performance hurdles that included both oil and gas industry performance benchmarks and direct shareholder returns by way of market capitalisation measures. Series 3 and 4 hurdles are linked to the Company's share price. One ordinary share is issued upon the exercising of one performance right. The rights are issued for nil consideration and a vested performance right can be exercised for nil consideration.

At the end of each performance period management prepares a report for the Board detailing the calculated performance against the predetermined performance hurdles. The Board reviews these calculations and may choose to have these audited before determining if, and to what extent, the performance hurdles have been met. If the performance hurdles have not been met, the performance rights available for the relevant period lapse.

The performance rights have a service condition attached whereby performance rights are forfeited if a performance rights holder is no longer an employee.

As at 31 December 2009 there were four series of performance rights on issue – Series 2 – 5. The Board believes the performance hurdles chosen will, if the hurdle is achieved, also result in an increase in shareholder wealth. For example an increase in market capitalization will, in most cases, be caused by an increase in a Company's share price and an increase in production and reserves will generally be viewed by the market favorably and lead to an increase in the Company's share price which will cause an increase in share holder wealth.

*Series 2*

The Series 2 performance periods commenced on 1 January 2008 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2008, 2009 and 2010. The performance hurdles for each year are reviewed at the end of March of the following year.

*Series 3 and 4*

The Series 3 and 4 performance periods commenced in 2008 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2008, 2009 and 2010.

*Series 5*

The Series 5 performance periods commenced in 2009 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2009, 2010 and 2011.

These performance rights were granted on 8 October 2009, with a first exercise date of approximately 31 March 2010 and a last exercise date on 8 October 2014. The value per right at the date of grant was \$0.18.

The Board chose the following performance hurdles and method of assessing performance as, at the time, the Board believed these measures were the most appropriate method due to their direct relationship with the Company's operations being the production and exploration for oil and gas.

The performance hurdles are as follows:

**Hurdle Weighting**

**Series 2**

A) Market capitalisation – based on % increase of the year end share price on a year on year comparison 30%

% increase	% of rights vesting
Less than 0%	Nil
0 – 10%	40%
10.1% - 20%	60%
20.1% - 30%	80%
Greater than 30%	100%

This performance hurdle has been met.

B) Hydrocarbon production - based on % increase of the year's production on a year on year comparison 25%

% increase	% of rights vesting
Less than 0%	Nil
0 – 10%	40%
10.1% - 20%	60%
20.1% - 30%	80%
Greater than 30%	100%

This performance hurdle has not been met.

C) Hydrocarbon reserves - based on % increase of year end reserves on a year on year comparison 25%

% increase	% of rights vesting
Less than 80%	Nil
80% – 100%	40%
100.1% - 130%	60%
130.1% - 150%	80%
Greater than 150%	100%

This performance hurdle has been met.

D) Finding and development costs – based on total exploration and development costs divided by the net increase in reserves for the year. 10%

Cost per Mcf	% of rights vesting
Greater than US\$3.50	Nil
US\$3.50 – US\$3.01	40%
US\$3.00 – US\$2.51	60%
US\$2.50 – US\$2.00	80%
Less then US\$2.00	100%

This performance hurdle has been met.

E) Earnings before interest, tax, depreciation, amortisation and exploration write-offs (EBITDAX) 10%  
 - based on % increase in EBITDAX on a year on year comparison

% increase	% of rights vesting
Less than 0%	Nil
0 – 10%	40%
10.1% - 20%	60%
20.1% - 30%	80%
Greater than 30%	100%

This performance hurdle has not been met.

**Total Series 2** 100%

**Series 3 and 4**

Performance period	Minimum price (cents) for which the following % of rights vest		
	30%	60%	100%
31 December 2008	15	20	25
31 December 2009	30	35	40
31 December 2010	45	50	55

At 31 December 2009 the closing share price of the Company was \$0.61 and therefore this condition has been met 100%.

**Series 5**

Performance period	Minimum price (cents) for which the following % of rights vest		
	30%	60%	100%
31 December 2009	15	20	25
31 December 2010	30	35	40
31 December 2011	45	50	55

At 31 December 2009 the closing share price of the Company was \$0.61 and therefore this condition has been met 100%.

**Performance Rights granted, vested and lapsed during the period**

2009	Grant date	First Exercise Date	Last Exercise Date	Granted	Vested		Lapsed	%
					Number	%	Number	
<b>Directors</b>								
J.A. Cruickshank	2 Jul 2007	31 Mar 2009	2 Jul 2012		173,333	21.66	93,333	11.67
	4 Nov 2008	31 Mar 2009	4 Nov 2013		333,333	33.33	-	
	8 Oct 2009	31 Mar 2010	8 Oct 2014	2,000,000	666,667	33.33	-	
M G. Gentry	31 Oct 2007	31 Mar 2009	31 Oct 2012		108,333	21.66	58,333	11.67
	7 May 2008	31 Mar 2009	7 May 2013		333,334	33.33	-	
	4 Nov 2008	31 Mar 2009	4 Nov 2013		83,333	33.33	-	
G.D. Shoemaker	2 Jul 2007	31 Mar 2009	2 Jul 2012		151,667	21.66	81,667	11.67
	7 May 2008	31 Mar 2009	7 May 2013		333,334	33.33	-	
	4 Nov 2008	31 Mar 2009	4 Nov 2013		83,333	33.33	-	
V.A McAppion	2 Jul 2007	31 Mar 2009	2 Jul 2012		10,833	21.66	5,833	11.67
	7 May 2008	31 Mar 2009	7 May 2013		83,333	33.33	-	
	4 Nov 2008	31 Mar 2009	4 Nov 2013		66,667	33.33	-	
<b>Total:</b>				<b>2,000,000</b>	<b>2,427,500</b>		<b>239,166</b>	
<b>2008</b>								
<b>Directors</b>								
J.A. Cruickshank	2 Jul 2007	31 Mar 2009	2 Jul 2012		106,667	13.33	160,000	20.00
	4 Nov 2008	31 Mar 2009	4 Nov 2013	1,000,000	-	-	333,333	33.33
<b>Executives</b>								
D.J. Rich	2 Jul 2007	31 Mar 2009	2 Jul 2012				800,000	100.00
	4 Nov 2008	31 Mar 2009	4 Nov 2013	1,000,000	-	-	1,000,000	100.00
<b>Total:</b>				<b>2,000,000</b>	<b>106,667</b>		<b>2,293,333</b>	

**Shares issued on the exercise of vested performance rights**

	Number of Shares Issued	
	2009	2008
<b>Directors</b>		
J.A. Cruickshank	106,667	-
M.G.Gentry	66,667	-
G.D. Shoemaker	93,333	-
V.A.McAppion	6,667	-
H.M. McLaughlin	-	400,000
<b>Executives</b>		
D.M. Scull	-	64,500
<b>Total:</b>	<b>273,333</b>	<b>464,500</b>

The shares issued on exercise of performance rights are issued as fully paid ordinary shares for nil consideration, hence there is no amount paid or unpaid on these shares.

**Performance rights granted as part of remuneration**

	Value of performance rights granted during the year \$	Value of performance rights exercised during the year* \$	Value of performance rights lapsed during the year* \$	Remuneration consisting of performance rights for the year
<b>2009</b>				
<b>Directors</b>				
J.A. Cruickshank	360,000	23,467	56,933	32.8%
G.D. Shoemaker	-	20,533	49,817	
M.G.Gentry	-	14,667	35,583	
V.A.McAppion	-	1,467	3,558	
<b>2008</b>				
<b>Directors</b>				
H McLaughlin	-	28,000	101,000	-
J A Cruickshank	12,700	-	24,000	32.2%
<b>Executives</b>				
D Rich	22,000	-	173,333	-
D Scull	-	6,450	103,550	-

\* As the exercise price of performance rights is nil, the closing share price on the day of exercise or lapse is taken as the intrinsic (fair) value at the time of exercise and lapse. The rights lapse when performance hurdles are not met and cannot be exercised by the holder. All rights that have lapsed during the year relate to Series 2.

There were no alterations to the terms and conditions of performance rights granted as remuneration since their grant date.

The maximum value of performance rights granted assuming that all service and performance criteria are met, is equal to the number of performance rights granted multiplied by the fair value at grant date. The minimum due assuming that service and performance conditions are not met is zero.

**Options**

No options were issued during the year ended 31 December 2009. During the year ended 31 December 2008, 1,000,000 options exercisable at \$0.25 on or before 4 November 2012 were granted to non-executive directors following approval by shareholders at a general meeting on 31 October 2008. During the year to 31 December 2007, 1,400,000 options exercisable at \$0.99 on or before 8 May 2011 were granted to non-executive directors following approval by shareholders at the Company's annual general meeting on 7 May 2007. The options have a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant as long as the holder still holds office. There are no performance conditions relating to the options. These options were issued without any performance conditions in 2007 and 2008 in recognition of the relevant Director's continued contribution to the Company's progress at that date. Any increase in the value of the options is linked to the share price performance of the Company.

**Options granted and vested during the period  
Year to 31 December 2009**

	Number Granted	Grant date	First Exercise date	Last Exercise date	Exercise Price	Fair value at date of grant	Vested Number
<b>Directors</b>							
R.A. Elliott		8 May 2007	8 May 2008	8 May 2010	\$0.99	\$0.825	133,333
W.R.B. Hassell		8 May 2007	8 May 2008	8 May 2010	\$0.99	\$0.825	200,000

## Year to 31 December 2008

	Number Granted	Grant date	First Exercise date	Last Exercise date	Exercise Price	Fair value at date of grant	Vested Number
<b>Directors</b>							
R.A. Elliott		8 May 2007	8 May 2008	8 May 2010	\$0.99	\$0.825	133,333
W.R.B. Hassell		8 May 2007	8 May 2008	8 May 2010	\$0.99	\$0.825	200,000
R.A. Elliott	600,000	4 Nov 2008	4 Nov 2009	4 Nov 2012	\$0.25	\$0.068	-
W.R.B. Hassell	400,000	4 Nov 2008	4 Nov 2009	4 Nov 2012	\$0.25	\$0.068	-

## Options granted as part of remuneration

	Value of options granted during the year \$	Value of options exercised during the year \$	value of options lapsed during the year \$	Remuneration consisting of options for the year
<b>2009</b>				
<b>Directors</b>				
R A Elliott	-	-	45,822	-
W Hassell	-	-	32,989	-
<b>2008</b>				
<b>Directors</b>				
R A Elliott	21,966	-	-	51.2%
W Hassell	14,644	-	-	53.7%
F.D. Campbell	-	-	(44,000)	-

There were no alterations to the terms and conditions of options or performance rights granted as remuneration since their grant date.

The maximum value of options granted assuming that all service and performance criteria are met, is equal to the number of options granted multiplied by the fair value at grant date. The minimum value assuming that service and performance conditions are not met is zero.

As of the date of this report, no options have been issued or exercised, since 31 December 2009. 666,666 options lapsed on 16 January 2010. There were no shares issued on the exercising of options in the periods to 31 December 2009.

**Cash Bonus**

Where an executive has performed at a level beyond that which would normally be required in his role or achieved an outcome beyond expectations, either over a period of time or on a specific task, the remuneration committee may, in its absolute discretion, recommend that the Board grant a cash bonus to the individual or individuals.

**Other benefits**

Other than the provision of car parking, no other benefits are provided to directors or senior executives.

**Employment Contracts**

It is the Consolidated Entity's policy that employment agreements for senior executives are unlimited in term but capable of termination with between one and three months notice and that the Consolidated Entity retains the right to terminate the contract immediately, by making payment in lieu of notice.

The Consolidated Entity has entered into an unlimited term employment agreement with each senior executive. The employment agreements outline the components of remuneration paid to each executive but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

As at 31 December 2009, there are no fixed term employment agreements.

**9.3 Non-executive directors**

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2002 AGM, is not to exceed \$250,000 per annum. Fees are set based on a review of externally provided remuneration data with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors do not receive any retirement benefits other than statutory requirements.

**9.4 Key management personnel****Directors**

J.A. Cruickshank	Executive Chairman and CEO from 16 October 2009 Managing Director and CEO to 16 October 2009
M.G. Gentry	Chief Operating Officer – appointed 16 October 2009
G.D. Shoemaker	Chief Scientist – appointed 16 October 2009
V.A. McAppion	Director and Company Secretary – appointed 16 October 2009
M.G. Clohessy	Director (non-executive) – appointed 16 October 2009
R.A. Elliott	Chairman (non-executive) – retired 16 October 2009
W.R.B. Hassell	Director (non-executive) – retired 16 October 2009

**Executives**

H. Lennerts	Company Secretary – resigned 16 October 2009
-------------	--

There were no changes to KMP after reporting date and before the date the financial report was authorised for issue.

## 9.5 Key management personnel remuneration

The following table sets out the remuneration of directors and executives of the Company and Consolidated Entity during the reporting period.

Year to 31 Dec 2009	Short-Term		Termination Benefit	Post Employ- ment	Share-Based Payments		Total	Total Perform- ance Related	
	Salary & Fees	Cash Bonus (v)			Non Monetary Benefits	Super- annuation			Options
	\$	\$	\$	\$	\$	\$	\$		
<b>Directors</b>									
J.A. Cruickshank (ii)	434,384	-	29,727	-	-	-	226,498	690,609	32.8%
G D Shoemaker (iii)	57,092	-	5,448	-	-	-	49,640	112,180	44.3%
M G Gentry (iv)	45,674	-	1,870	-	-	-	34,912	82,456	42.3%
M G Clohessy	9,656	-	-	-	869	-	-	10,525	0.0%
V McAppion	19,236	-	598	-	1,731	-	5,719	27,284	21.0%
R.A. Elliott (vi)	54,775	-	-	-	4,930	(12,831)	-	46,874	n/a
W.R.B. Hassell (vi)	33,341	-	-	-	3,001	(9,164)	-	27,178	n/a
<b>Total</b>	<b>654,158</b>	<b>-</b>	<b>37,643</b>	<b>-</b>	<b>10,531</b>	<b>(21,995)</b>	<b>316,769</b>	<b>997,106</b>	
<b>Executives</b>									
H. Lennerts	36,000	-	-	-	-	-	-	36,000	n/a
<b>Total</b>	<b>36,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,000</b>	

Year to 31 Dec 2008	Short-Term		Termination Benefit	Post Employ- ment	Share-Based Payments		Total	Total Perform- ance Related	
	Salary & Fees	Cash Bonus(iv) (v)			Non Monetary Benefits	Super- annuation			Option
	\$	\$	\$	\$	\$	\$	\$		
<b>Directors</b>									
R.A. Elliott	69,000	-	-	-	6,210	78,830	-	154,040	51.2%
W.R.B. Hassell	42,000	-	-	-	3,780	53,164	-	98,944	53.7%
J.A. Cruickshank	330,974	-	24,660	-	-	-	113,086	468,720	21.6%
H.M. McLaughlin	186,973	-	-	38,376	8,300	-	154,494	388,143	39.8%
F.D. Campbell	11,445	-	-	-	-	(44,000)	-	(32,555)	n/a
<b>Total</b>	<b>640,392</b>	<b>-</b>	<b>24,660</b>	<b>38,376</b>	<b>18,290</b>	<b>87,994</b>	<b>267,580</b>	<b>1,077,292</b>	
<b>Executives</b>									
D.J. Rich	233,920	-	1,471	56,333	12,365	-	(169,892)	134,197	n/a
H. Lennerts	6,000	-	-	-	-	-	-	6,000	-
D.M. Scull	36,561	-	-	-	-	-	-	36,561	-
<b>Total</b>	<b>276,481</b>	<b>-</b>	<b>1,471</b>	<b>56,333</b>	<b>12,365</b>	<b>-</b>	<b>(169,892)</b>	<b>176,758</b>	

- (i) Directors' liability insurance premiums are not included due to the confidentiality clause in the insurance contract.
- (ii) Mr Cruickshank's salary is paid in US dollars and totalled US\$340,000 for the year ended 31 December 2009. His salary has been translated to A\$434,384 using an average exchange rate of 0.783.
- (iii) Mr Shoemakers' salary is paid in US dollars and totalled US\$52,083 for the period 16 October to 31 December 2009. His salary has been translated to A\$57,092 using an average exchange rate of 0.9123.
- (iv) Mr Gentry's salary is paid in US dollars and totalled US\$41,667 for the period 16 October to 31 December 2009. His salary has been translated to A\$45,674 using an average exchange rate of 0.9123.
- (v) The current Chairman recommended to the remuneration committee that no bonuses be granted for the year ended 31 December 2009. This recommendation was accepted by the remuneration committee and implemented.
- (vi) The unvested portion of Messrs Elliott's and Hassell's options lapsed on retirement during the year. The amount in relation to those options expensed in prior years has been written back in the current year.

## 9.6 Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based issue of rights based on key performance indicators, and the second being the issue of options to encourage the alignment of personal and shareholder interests. No options have been issued in the 2009 year. Whilst the Company's results and its share price have fluctuated over the past four years, the Company believes the adoption of performance related KPI's provide both an incentive and a reward to those who have exceeded their bare minimum. The KPI's target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial areas.

Performance in relation to the KPI's is assessed annually with performance rights being vested depending on the number and deemed difficulty of the KPI's achieved. The KPI's are set over a three year period and after each period, the Remuneration Committee reviews their efficiencies in relation to the Company's goals and shareholder wealth, before the KPI's are set for the next 3 year period.

#### 9.7 Company performance and the link to remuneration)

The following table shows the last five years financial performance against shareholder returns as measured by the closing share price at 31 December each year (30 June for 2006 and prior).

	12 months to 31 Dec 2009	12 months to 31 Dec 2008	12 months to 31 Dec 2007	6 months to 31 Dec 2006	12 months to 30 June 2006	12 months to 30 June 2005
Sales revenue (\$'million)	3.373	8.100	2.974	1.199	9.156	23.070
Net profit/(loss) after tax (\$'million)	(3.195)	0.601	(37.386)	(2.896)	5.547	1.231
Basic earnings/(loss) per share (cents)	(1.6)	0.4	(23.6)	(1.8)	3.5	0.4
Closing period end share price (\$)	0.61	0.05	0.44	0.71	0.39	0.44

#### Notes:

- No dividends were paid at any time over the last five years.
- In the 12 months to 31 December 2007, the Company bought back 275,475 shares on-market at an average price of \$0.780. In the six months to 31 December 2006 the Company bought back 53,750 shares on-market at an average price of \$0.3883. In the 12 months to 30 June 2006, the Company bought back 2,437,087 shares on-market at an average price of \$0.399.
- Sales revenue, net profit after tax and EPS include discontinued operations.

#### Performance Rights

There are currently 4 series of performance rights available to KMP's being Series 2-5.

For Series 1, which is no longer applicable, the performance measures driving performance rights payment outcomes were a combination of financial measures and production measures. The financial measures are the yearly closing balances in share price, EBITDAX, finding and development costs and whilst the production measures are resource increases, production and peer performance ranking.

The following table outlines percentage movements over the relevant period from 1 July 2004 to 31 December 2007.

	12 months to 31 Dec 2007	to 31 Dec 2006	12 months to 30 June 2005
Market Capitalisation	\$67m	\$107m	\$71m
Hydrocarbon Production	<1	<1	<2
Hydrocarbon Reserves	(262%)	>600%	Nil
Finding & Development Costs	>US\$2.50	>US\$8	>US\$10
EBITDAX	<\$36 million	<\$20 million	\$20 million
Peer Performance Ranking	9 <sup>th</sup>	3 <sup>rd</sup>	9 <sup>th</sup>
% of available performance rights granted	Nil	33%	10%

For Series 2, the performance measures driving performance rights payment outcomes is a combination of financial measures and production measures. The financial measures are the yearly percentage movement in share price, EBITDAX and finding and development costs whilst the production measures are resource increases and production.

The following table outlines percentage movements over the relevant period from 1 January 2008 to 31 December 2009.

	12 months to 31 Dec 2009	12 months to 31 Dec 2008
Market Capitalisation	1,532%	(86%)
Hydrocarbon Production	(32%)	30%
Hydrocarbon Reserves	1,309%	94%
Finding & Development Costs	<US\$2.00	>US\$3.50
EBITDAX	(72%)	138%
% of available performance rights granted	65%	40%

For Series 3-5 the performance measures driving performance rights payment outcomes is share price at year end.

	12 months to 31 Dec 2009	12 months to 31 Dec 2008
Share Price	\$0.61	\$0.05
% of available performance rights granted	100%	30%

#### End of Remuneration Report

**10. INDEMNIFICATION OF DIRECTORS AND COMPANY SECRETARY**

An indemnity agreement has been entered into with each of the directors of the Company as at the end of the reporting period (as named in section 1 of this report) and the Company Secretary. Under the agreement, the Company has agreed to indemnify those directors and the Company Secretary against any claim or for any expenses or costs that may arise as a result of work performed in their respective capacities, to the extent allowed under the Corporations Act. There is no monetary limit to the extent of this indemnity.

The Company has paid a premium under a contract insuring each Director and Officer of the Company and its Consolidated Entities against liability incurred in that capacity. Disclosure of the nature of the liability covered by and the amount of premium payable for such insurance is subject to a confidentiality clause under the contract of insurance.

**11. RISK MANAGEMENT**

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non-financial KPI's.

**12. STATE OF AFFAIRS**

Significant changes in the state of affairs of the Consolidated Entity during the year ended 31 December 2009 were as follows:

An increase in share capital from \$62,253,000 to \$77,563,000	<b><u>\$'000</u></b>
Opening Balance, 1 January 2009	62,253
Issue of 56.89 million shares at \$0.25 per share	14,223
Issue of 5 million shares at \$0.40 per share	2,000
Share Issue Costs	(913)
Closing Balance, 31 December 2009	<u>77,563</u>

There have been 30 million ordinary shares issued, between the balance date and the date of this report.

There have been no ordinary shares, bought back or cancelled between the balance date and the date of this report.

During the year the company bought-back 982,244 convertible notes on-market for \$1.789 million. Each note has a face value of \$2 and the buy-back has resulted in a reduction in the face value liability of the notes by approximately \$1.965 million.

**13. SIGNIFICANT EVENTS AFTER BALANCE DATE**

No matter or circumstance has arisen since 31 December 2009 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

**Capital Raising**

The company completed a placement of 30,000,000 ordinary shares in February 2010, raising a total of \$19.2 million before costs.

**Francis Dilworth No 2H**

Antares announced on February 1<sup>st</sup> 2010 that the Initial Production (IP) rate of the Frances Dilworth No. 2H was 790 Bo/d and 900 Mcf/d with an initial flowing tubing pressure of 4,500 psi on a 22/64" choke. The well flowed 53 API gravity oil and 1,300 MBTU/Mcf gas. This equates to a 15.4 Mmcf/d rate on an 18:1 revenue equivalency basis accounting for the quality of the liquids rich gas. The well is currently flowing to sales through a 6" gas pipeline.

**14. LIKELY DEVELOPMENTS AND RESULTS**

The Company will continue to pursue oil and gas opportunities located in onshore Texas, United States of America. Disclosure of more detailed information regarding likely developments in the operations of the Company in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Company. Accordingly, this information has not been disclosed in this report.

**15. CORPORATE GOVERNANCE**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Antares Energy Limited support and in general have adhered to the principles of corporate governance. The Company's corporate governance statement is contained as part of this annual report.

**16. ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

**17. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES**

The independence declaration received from the auditor of Antares Energy Limited is set out on page 14 and forms part of this directors' report for the year ended 31 December 2009.

**Non-audit services**

Local and international tax services to the value of \$12,200 were the only non-audit services provided by the entity's auditor, Ernst & Young during the year. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act. The nature and scope of the non-audit service provided means that auditor independence was not compromised.

Signed in accordance with a resolution of directors.

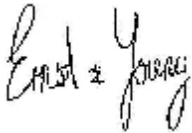


J.A. CRUICKSHANK  
Executive Chairman

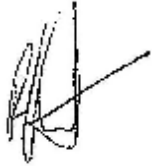
West Perth, Western Australia  
31 March, 2010

## Auditor's Independence Declaration to the Directors of Antares Energy Limited

In relation to our audit of the financial report of Antares Energy Limited for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to be 'R J Curtin'.

R J Curtin  
Partner  
31 March 2010

## CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Antares Energy Limited (the "Company") is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

### The Board of Directors

The company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any share holding qualification.

As and if the company's activities increase in size, nature and scope the size of the board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to supervise adequately the company's constitution will be determined within the limitations imposed by the constitution.

The membership of the board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the board shall include quality of the individual, background of experience and achievement, compatibility with other board members, credibility within the company's scope of activities, intellectual ability to contribute to board's duties and physical ability to undertake board's duties and responsibilities.

Directors are initially appointed by the full board subject to election by shareholders at the next general meeting. Under the company's constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The board considers that the company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The board as a whole is able to address the governance aspects of the full scope of the company's activities and to ensure that it adheres to appropriate ethical standards.

### Role of the Board

The board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the board is responsible for oversight of management and the overall corporate governance of the company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

### Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

### Independent Professional Advice

The board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

### Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mining exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the company.

### ASX Principles of Good Corporate Governance

The board has reviewed its current practices in light of the revised ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the company's size and the resources it has available.

As the company's activities develop in size, nature and scope, the size of the board and the implementation of any additional formal corporate governance committees will be given further consideration.

The board has adopted the revised Recommendations and the following table sets out the company's present position in relation to each of the revised Principles.

## Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
<b>Principle 1:</b>	<b>Lay solid foundations for management and oversight</b>		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board are included on the Company website in the Corporate Governance Section.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	Acting in its ordinary capacity the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A (in part)	Matters reserved for the Board can be viewed on the Company website.
<b>Principle 2:</b>	<b>Structure the board to add value</b>		
2.1	A majority of the board should be independent directors	N/A	Given the Company's background, the nature and size of its business and the current stage of its development, the board comprises five directors, only one of whom is non-executive. The board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2	The chair should be an independent director	N/A	The Company has restructured the Board and has an Executive Chairman
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	N/A	The Company believes it appropriate to utilise this structure at this point in time.
2.4	The board should establish a nomination committee	A	
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	N/A	Given the size and nature of the Company a formal process for performance evaluation has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A (in part)	The skills and experience of the Directors are set out in the Company's Annual Report and on the website.
<b>Principle 3:</b>	<b>Promote ethical and responsible decision-making</b>		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices</li> </ul>	A	The Board of the Company actively promotes ethical and responsible decision-making. The standard of ethical behaviour required by directors and officers, is set out in a Directors and Officers Code of Conduct. Complementing this is a Code of Conduct for all employees and directors. Both Codes form part of the Company's Corporate Governance documentation which is published on the Company's website.

A = Adopted  
N/A = Not adopted

## Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy	A	The Company has formulated a securities trading policy, which can be viewed on its website.
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
<b>Principle 4: Safeguard integrity in financial reporting</b>			
4.1	The board should establish an audit committee	A	
4.2	The audit committee should be structured so that it: <ul style="list-style-type: none"> <li>consists only of non-executive directors</li> <li>consists of a majority of independent directors</li> <li>is chaired by an independent chair, who is not chair of the board</li> <li>has at least three members</li> </ul>	N/A N/A A N/A	There is only one non-executive director As above The audit committee only has 2 members.
4.3	The audit committee should have a formal charter	A	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	
<b>Principle 5: Make timely and balanced disclosure</b>			
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	A	Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	A	The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.
<b>Principle 6: Respect the rights of shareholders</b>			
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	A	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	A	The Company has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website.

A = Adopted  
N/A = Not adopted

## Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
<b>Principle 7:</b>	<b>Recognise and manage risk</b>		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	A	<p>The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board has a separate Risk Management policy. The Board oversees the risk management of the Company through the Audit and Compliance Committee.</p> <p>Determined areas of risk which are regularly considered include:</p> <ul style="list-style-type: none"> <li>• performance and funding of exploration activities</li> <li>• budget control and asset protection</li> <li>• status of mineral tenements</li> <li>• compliance with government laws and regulations</li> <li>• safety and the environment</li> <li>• continuous disclosure obligations</li> </ul>
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks	A	
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	A	Assurances received from CEO and CFO (or equivalent) each year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	A	
<b>Principle 8:</b>	<b>Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee	A	It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	A	
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8	A	<ul style="list-style-type: none"> <li>• retention and motivation of key executives;</li> <li>• attraction of quality management to the Company;</li> <li>• performance incentives which allow executives to share the rewards of the success of the Company.</li> </ul> <p>Refer to the Annual Report and the Corporate Governance section of the Company's website.</p>

A = Adopted

N/A = Not adopted

## Statement of Comprehensive Income

### Antares Energy Limited and its Controlled Entities

#### For the Year Ended 31 December 2009

	Notes	Consolidated		Parent	
		2009 \$'000s	2008 \$'000	2009 \$'000s	2008 \$'000
<b>Continuing Operations</b>					
Revenue	3(a)	3,456	8,340	4,005	4,189
Cost of goods sold	4(a)	(1,854)	(2,324)	-	-
Gross profit		1,602	6,016	4,005	4,189
Other income	3(b)	496	1,165	184	4,819
Other expenses	4(b)	(3,129)	(4,054)	(13,083)	(1,737)
Finance costs	4(c)	(2,163)	(2,526)	(2,163)	(2,510)
Profit/(loss) before income tax		(3,194)	601	(11,057)	4,761
Income tax benefit	5	-	-	-	-
<b>Net profit/(loss) for the period</b>		<b>(3,194)</b>	<b>601</b>	<b>(11,057)</b>	<b>4,761</b>
<b>Other comprehensive income</b>					
Foreign currency translation		(4,876)	4,160	-	-
<b>Other comprehensive income/(loss) for the period net of tax</b>		<b>(4,876)</b>	<b>4,160</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the period</b>		<b>(8,070)</b>	<b>4,761</b>	<b>(11,057)</b>	<b>4,761</b>

#### Earnings per share (cents per share)

Basic earnings/(loss) per share for the period	6	(1.6)	0.4
Diluted earnings/(loss) per share for the period	6	(1.6)	0.4

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

## Antares Energy Limited and its Controlled Entities

### As at 31 December 2009

Notes	Consolidated		Parent		
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000	
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	1,663	5,585	1,407	1,917
Trade and other receivables	8	524	1,033	45	10
Prepayments	9	1,648	1,891	14	22
<b>Total current assets</b>		<b>3,835</b>	<b>8,509</b>	<b>1,466</b>	<b>1,949</b>
<b>NON-CURRENT ASSETS</b>					
Trade and other receivables	8	-	-	21,149	19,649
Property, plant and equipment	10	16	87	-	9
Oil and gas properties	11	10,044	6,176	-	-
Deferred exploration and evaluation expenditure	12	12,146	7,334	-	-
<b>Total non-current assets</b>		<b>22,206</b>	<b>13,597</b>	<b>21,149</b>	<b>19,658</b>
<b>TOTAL ASSETS</b>		<b>26,041</b>	<b>22,106</b>	<b>22,615</b>	<b>21,607</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	14	562	557	503	434
Interest bearing loans and borrowings	15	-	18,634	-	18,634
Provisions	16	297	262	7	-
<b>Total current liabilities</b>		<b>859</b>	<b>19,453</b>	<b>510</b>	<b>19,068</b>
<b>NON-CURRENT LIABILITIES</b>					
Interest-bearing loans and borrowings	15	14,885	-	14,885	-
Provisions	16	127	137	36	23
<b>Total non-current liabilities</b>		<b>15,012</b>	<b>137</b>	<b>14,921</b>	<b>23</b>
<b>TOTAL LIABILITIES</b>		<b>15,871</b>	<b>19,590</b>	<b>15,431</b>	<b>19,091</b>
<b>NET ASSETS</b>		<b>10,170</b>	<b>2,516</b>	<b>7,184</b>	<b>2,516</b>
<b>EQUITY</b>					
Contributed equity	17	77,563	62,253	77,563	62,253
Reserves		(523)	3,938	4,762	4,347
Accumulated losses		(66,870)	(63,675)	(75,141)	(64,084)
<b>TOTAL EQUITY</b>		<b>10,170</b>	<b>2,516</b>	<b>7,184</b>	<b>2,516</b>

The above statement of financial position should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

### Antares Energy Limited and its Controlled Entities

#### For the Year Ended 31 December 2009

**CONSOLIDATED**

	Ordinary Share Capital \$'000	Accumulated Losses \$'000	Foreign Currency Reserve \$'000	Convertible Note Premium Reserve \$'000	Share Option Reserve \$'000	Total \$'000
<b>Balance at 1 January 2008</b>	59,767	(64,276)	(4,569)	1,634	2,471	(4,973)
Loss for the period	-	601	-	-	-	601
Other comprehensive income	-	-	4,160	-	-	4,160
<b>Total comprehensive income for the period</b>	-	601	4,160	-	-	4,761
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	2,486	-	-	-	-	2,486
Share based payments	-	-	-	-	242	242
<b>Balance at 31 December 2008</b>	<b>62,253</b>	<b>(63,675)</b>	<b>(409)</b>	<b>1,634</b>	<b>2,713</b>	<b>2,516</b>

<b>Balance at 1 January 2009</b>	62,253	(63,675)	(409)	1,634	2,713	2,516
Loss for the period	-	(3,195)	-	-	-	(3,195)
Other comprehensive income	-	-	(4,876)	-	-	(4,876)
<b>Total comprehensive loss for the period</b>	-	(3,195)	(4,876)	-	-	(8,071)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	16,223	-	-	-	-	16,223
Share issue costs	(913)	-	-	-	-	(913)
Equity component of convertible notes net of tax	-	-	-	121	-	121
Share based payments	-	-	-	-	294	294
<b>Balance at 31 December 2009</b>	<b>77,563</b>	<b>(66,870)</b>	<b>(5,285)</b>	<b>1,755</b>	<b>3,007</b>	<b>10,170</b>

**PARENT**

	Ordinary Share Capital \$'000	Accumulated Losses \$'000	Foreign Currency Reserve \$'000	Convertible Note Premium Reserve \$'000	Share Option Reserve \$'000	Total \$'000
<b>Balance at 1 January 2008</b>	59,767	(68,845)	-	1,634	2,471	(4,973)
Profit for the period	-	4,761	-	-	-	4,761
<b>Total comprehensive income for the period</b>	-	4,761	-	-	-	4,761
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	2,486	-	-	-	-	2,486
Share based payments	-	-	-	-	242	242
<b>Balance at 31 December 2008</b>	<b>62,253</b>	<b>(64,084)</b>	<b>-</b>	<b>1,634</b>	<b>2,713</b>	<b>2,516</b>

<b>Balance at 1 January 2009</b>	62,253	(64,084)	-	1,634	2,713	2,516
Loss for the period	-	(11,057)	-	-	-	(11,057)
<b>Total comprehensive loss for the period</b>	-	(11,057)	-	-	-	(11,057)
<b>Transactions with owners in their capacity as owners:</b>						
Issue of shares	16,223	-	-	-	-	16,223
Share issue costs	(913)	-	-	-	-	(913)
Equity component of convertible notes net of tax	-	-	-	121	-	121
Share based payments	-	-	-	-	294	294
<b>Balance at 31 December 2009</b>	<b>77,563</b>	<b>(75,141)</b>	<b>-</b>	<b>1,755</b>	<b>3,007</b>	<b>7,184</b>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

# Statement of Cash Flows

## Antares Energy Limited and its Controlled Entities

### For the Year Ended 31 December 2009

Note	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Cash flows from operating activities</b>				
	4,008	7,833	9	-
Receipts from customers				
Payments to suppliers and employees	(1,620)	(2,398)	(770)	(1,389)
Interest received	80	265	78	242
Interest paid	(1,841)	(2,429)	(1,841)	(2,429)
<b>Net cash inflows / (outflows) from operating activities</b>	<b>627</b>	<b>3,271</b>	<b>(2,524)</b>	<b>(3,576)</b>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(1)	-	-	-
Exploration, evaluation and development expenditure	(15,153)	(9,270)	-	-
Loans to subsidiaries	-	-	(9,412)	(3,558)
<b>Net cash inflows / (outflows) from investing activities</b>	<b>(15,154)</b>	<b>(9,270)</b>	<b>(9,412)</b>	<b>(3,558)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of shares	15,310	2,486	15,310	2,486
Payment for convertible notes redeemed and bought back on market	(3,842)	(998)	(3,842)	(998)
<b>Net cash inflows / (outflows) from financing activities</b>	<b>11,468</b>	<b>1,488</b>	<b>11,468</b>	<b>1,488</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>				
	<b>(3,059)</b>	<b>(4,511)</b>	<b>(468)</b>	<b>(5,646)</b>
Cash and cash equivalents at the beginning of the period	5,585	9,040	1,917	7,456
Effects of exchange rate changes on cash	(863)	1,056	(42)	107
<b>Cash and cash equivalents at the end of the period</b>	<b>1,663</b>	<b>5,585</b>	<b>1,407</b>	<b>1,917</b>

The above statement of cash flows should be read in conjunction with the accompanying notes.

## NOTE 1 CORPORATE INFORMATION AND BASIS OF PREPARATION

The financial report of Antares Energy Limited and its subsidiaries ("the Consolidated Entity") for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 31 March 2010.

Antares Energy Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The address of the registered office and principal place of business is Level 2, 5 Ord Street, West Perth, Western Australia, 6005.

The principal activity of Antares Energy Limited is the exploration and production of oil and gas, with current activities based primarily in Texas in the United States of America.

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Australian Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared in accordance with the historical cost convention.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Standards (IFRS) as issued by the International Accounting Standard Board.

### (c) New and amended accounting standards and interpretations

The accounting policies adopted are consistent with those applied in the prior period. From 1 January 2009 The Group has adopted all Accounting Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2009.

- AASB 8 Operating Segments.

This standard requires disclosure of information about the group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the group. The group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting.

- AASB 101 Presentation of Financial Statements.

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present one statement.

Adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group.

**NOTE 1 BASIS OF PREPARATION (Cont.)**

**(c) New and amended accounting standards and interpretations (continued)**

The following Australian Accounting Standards and Urgent Issues Group Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the 12 month period ended 31 December 2009:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	1 January 2010
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	1 January 2010
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) – such a transaction will be accounted for as an equity transaction.	1 July 2009	1 January 2010
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	1 January 2010
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project.  Refer to AASB 2008-5 above for more details.	1 July 2009	1 January 2010
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	1 January 2010

# Notes to the Financial Statements

ANTARES ENERGY LIMITED

For the Year Ended 31 December 2009

**NOTE 1 BASIS OF PREPARATION (Cont.)**

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project  [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	<p>This Standard makes amendments to Australian Accounting Standards AASB 2 <i>Share-based Payment</i> and AASB 138 <i>Intangible Assets</i> and AASB Interpretations 9 <i>Reassessment of Embedded Derivatives</i> and 16 <i>Hedges of a Net Investment in a Foreign Operation</i>. These amendments are as a consequence of the annual improvements project.</p> <p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting.</p> <p>The main amendment of relevance to Australian entities is that made to Interpretation 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment.</p>	1 July 2009	1 January 2010

NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project  [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> <li>▶ has primary responsibility for providing the goods or service;</li> <li>▶ has inventory risk;</li> <li>▶ has discretion in establishing prices;</li> <li>▶ bears the credit risk.</li> </ul> <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	1 January 2010

# Notes to the Financial Statements

ANTARES ENERGY LIMITED

For the Year Ended 31 December 2009

## NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-7	Amendments to Australian Accounting Standards  [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	1 January 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 <i>Share-based Payment</i> and supersedes Interpretation 8 <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i>.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1 January 2010	1 January 2010
AASB 2009-10	Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132]	The amendment provides relief to entities that issue rights in a currency other than their functional currency, from treating the rights as derivatives with fair value changes recorded in profit or loss. Such rights will now be classified as equity instruments when certain conditions are met.	1 February 2010	1 January 2011
AASB 9 and AASB 2009-11	Financial Instruments and Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> <li>▶ two categories for financial assets being amortised cost or fair value</li> <li>▶ removal of the requirement to separate embedded derivatives in financial assets</li> <li>▶ strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows</li> <li>▶ an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition</li> <li>▶ reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes</li> </ul> <p>changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income</p>	1 January 2013	1 January 2013

# Notes to the Financial Statements

ANTARES ENERGY LIMITED

For the Year Ended 31 December 2009

## NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself)</p>	1 January 2011	1 January 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	1 January 2011

\* designates the beginning of the applicable annual reporting period unless otherwise stated

The directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

**NOTE 1 BASIS OF PREPARATION (Cont.)**

**(d) Principles of consolidation**

The consolidated financial statements comprise the financial statements of Antares Energy Limited and its subsidiaries during the year ended 31 December 2009 ("the Consolidated Entity").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

**(e) Property, plant and equipment**

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

*Oil and Gas Properties*

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred.

*Depreciation*

Plant and equipment, other than freehold land, is depreciated to their residual values at rates based on the expected useful lives of the assets concerned. Oil and gas properties are depreciated on the Units of Production (UOP) basis using proven plus probable reserves.

The remaining assets use the straight line approach. The major categories of assets are depreciated as follows:

<u>Category</u>	<u>Method</u>
Plant and equipment	Straight line at 20% to 33%.
Oil and gas properties	Over the life of proved plus probable reserves on a units of production basis.
Leasehold Improvements	Straight line over the shorter of useful life and the lease term.

Currently there are no buildings owned by the Consolidated Entity.

Work in Progress assets are carried in the accounts at cost. They are not depreciated until they are installed at the intended location and ready for use in the manner at which they were intended to be used.

*Impairment*

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

*Disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

**NOTE 1 BASIS OF PREPARATION (Cont.)**

**(f) Exploration and evaluation**

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method.

Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are expensed as incurred except where:

- The expenditure relates to an exploration discovery where, at balance date, an assessment of the existence or otherwise of economically recoverable reserves is not yet complete and significant operations in, or in relation to, the area of interest are continuing; or
- An assessment has been made and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised.

Each potential or recognised area of interest is reviewed half yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

**(g) Impairment of assets**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit).

**(h) Provision for Restoration**

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 1(e)).

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

**(i) Trade and other receivables**

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the full debt. Bad debts are written off when identified. Financial difficulties of the debtor and default payments are likely to be considered objective evidence of impairment.

**NOTE 1 BASIS OF PREPARATION (Cont.)**

**(j) Cash and cash equivalents**

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

**(k) Trade and other payables**

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

**(l) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

**(m) Employee benefits**

*(i) Wages, salaries, bonus payments, annual leave and sick leave*

Liabilities for wages and salaries, bonus payments, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

*(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

**(n) Leases**

*Consolidated Entity as a lessee*

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

**(o) Revenue recognition**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

*Sales Revenue*

Sales revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of "delivery of goods to the customer". Delivery of product is by pipeline and under well specific contracts that define the place of transfer in ownership, the nominated transfer point has appropriate meter equipment installed. Product pricing is dependant upon product quality and delivery volumes rates, and base price marked to an appropriate commodity market benchmark.

*Interest*

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

**NOTE 1. BASIS OF PREPARATION (Cont.)**

**(p) Income tax**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences; except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized; except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case the deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to terms recognised directly in equity are recognised in equity and not in profit or loss.

*Tax consolidation legislation*

Antares Energy Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2002.

The head entity, Antares Energy Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Antares Energy Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details of the tax funding agreement are disclosed in note 5.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

**(q) Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**NOTE 1. BASIS OF PREPARATION (Cont.)**

**(r) Interest bearing loans & borrowings - Convertible notes**

The component of the convertible note that exhibits characteristics of debt is recognised as a liability in the balance sheet, net of issue costs. The residual amount is recognised as equity in the balance sheet. The debt component of the convertible note is measured at amortised cost.

Placement costs and interest may be payable on conversion or redemption. Such costs will be accrued as expenses until conversion or redemption. In the case that any or all of these expenses are converted to ordinary shares, the amount that is requested to be converted will be recognised against the issued capital at the time of conversion.

**(s) Borrowing Costs**

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months). The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Consolidated Entity's outstanding borrowings during the year.

**(t) Interest in a jointly controlled asset**

The Consolidated Entity has interests in joint ventures that are jointly controlled assets. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. Jointly controlled assets involve use of assets and other resources of the ventures rather than establishment of a separate entity. The Consolidated Entity recognises its interest in a jointly controlled asset by recognising the assets that it controls and the liabilities that it incurs. The Consolidated Entity also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by a jointly controlled asset.

**(u) Contributed equity**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

**(v) Earnings per share ("EPS")**

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit attributed to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

**(w) Inventories**

Inventories are valued at the lower of cost and net realisable value. Spares and consumables are valued at purchase cost on a first-in first-out basis. Surplus and obsolete items are identified and disposed of, or written down to realisable value pending disposal.

**(x) Foreign currency translation**

Both the functional and presentation currency of Antares Energy Limited and its Australian subsidiaries is Australian dollars (\$). Entities within the Consolidated Entity that are based and operate outside of Australia use the functional currency of the country in which they operate, provided the local economy is not subject to hyperinflation. Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity.

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange ruling at the date of the transaction or the average for the period when translating a large number of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined.

The functional currency of the Consolidated Entity's material foreign operation, Antares Energy Company, is United States dollars (USD).

As at the reporting date the assets and liabilities of this subsidiary were translated into the presentation currency of Antares Energy Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange for the period.

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

**(y) Share-based payment transactions**

The Consolidated Entity provides benefits to directors and employees of the Consolidated Entity in the form of equity, whereby directors and employees render services in exchange for shares, options to acquire shares or rights over shares.

There are currently two forms of share based remuneration in place:

- Options granted to directors, senior executives and employees under the Employee Option Plan; and

**NOTE 1 BASIS OF PREPARATION (Cont.)**

- Performance rights granted under the Performance Rights Plan to employees. Non-executive directors are not entitled to participate in this plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate model. In valuing equity-settled transactions, account is taken of performance conditions where the conditions are linked to the price of the shares of Antares Energy Limited.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) for non-market based hurdles the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The dilutive effect, if any, of outstanding securities is reflected as additional share dilution in the computation of earnings per share.

**(z) Investments in controlled entities**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

**(aa) Critical accounting estimates, assumptions and judgements**

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Consolidated Entity continually employs judgement in the application of its accounting policies.

*(i) Critical Accounting Estimates and Assumptions*

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

**Reserves**

The assessed recoverable quantities of proven and probable reserves used in the future cashflow estimations include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Estimated recoverable reserves and their production profiles are integral to the amount of impairment, depreciation, depletion and amortisation charged to the income statement.

**Impairment of assets**

The Consolidated Entity's accounting policy for impairment is set out at Note 1(g). In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on independent external assessments of potential reserves, future production profiles, commodity prices and costs.

The carrying value of all oil and gas properties as at 31 December 2009 was \$10,044,000 (31 December 2008: \$6,176,000).

**Share-based payment transactions**

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using a Black-Scholes option-pricing model using the assumptions detailed in note 13. The fair value of a performance right is determined by an external valuer using a modified Black-Scholes option-pricing model using the assumptions detailed in note 13.

**Restoration obligations**

Where a restoration obligation exists, the Consolidated Entity estimates the future removal costs of production facilities, wells and pipelines at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal techniques in determining the removal cost and asset specific discount rates to determine the present value of these cashflows. For more detail regarding this policy in respect of the provision for restoration refer to Note 1(h).

## For the Year Ended 31 December 2009

### NOTE 2 SEGMENT REPORTING

For management purpose, the Company is organised into one main operating segment, which involves oil and gas exploration, development and production in the USA. All the Company's activities are interrelated, and discrete financial information is reported to the Executive Chairman and the management team (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group derives its revenue primarily from the sale of oil and gas produced in the USA. During the years ended 31 December 2009 and 31 December 2008 external sales of oil and gas were made to customers solely located in the USA, and no individual customer comprised more than 10% of total sales of oil and gas.

	Consolidated	
	2009 \$'000	2008 \$'000
Analysis of external sales:		
Oil	1,961	4,768
Gas	1,412	3,332
	<u>3,373</u>	<u>8,100</u>
Geographical split of non-current assets:		
USA	22,206	13,588
Australia	-	9
	<u>22,206</u>	<u>13,597</u>

### NOTE 3 REVENUE AND OTHER INCOME

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
(a) <b>Revenue</b>				
Sale of product	3,373	8,100	-	-
Interest revenue	83	240	4,005	4,189
	<u>3,456</u>	<u>8,340</u>	<u>4,005</u>	<u>4,189</u>
(b) <b>Other Income</b>				
Gain on buy-back of convertible notes	175	1,116	175	1,116
Royalty	-	9	-	9
Foreign exchange gain (i)	-	-	-	3,667
Other	321	39	9	27
	<u>496</u>	<u>1,164</u>	<u>184</u>	<u>4,819</u>

(i) Relates to the revaluation of a US dollar denominated loan to a subsidiary company.

### NOTE 4 EXPENSES AND LOSSES/(GAINS)

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Expenses</b>				
(a) <b>Cost of goods sold:</b>				
Depreciation and amortisation expenses	1,206	1,596	-	-
Other production costs	648	728	-	-
Total cost of goods sold	<u>1,854</u>	<u>2,324</u>	<u>-</u>	<u>-</u>
(b) <b>Other expenses:</b>				
Operating lease payments	69	151	69	65
Impairment of intercompany loan	-	-	-	10
General and administrative expenses	1,092	976	610	584
Foreign exchange loss	7	23	11,877	-
Impairment of oil & gas properties (note 11)	-	256	-	-
Exploration expenditure written off (note 12)	1,576	1,658	-	-
	<u>2,744</u>	<u>3,064</u>	<u>12,556</u>	<u>659</u>
Wages and salaries	86	691	228	779
Share based payments	294	242	294	242
Other	5	57	5	57
Total employee benefits	<u>385</u>	<u>990</u>	<u>527</u>	<u>1,078</u>
Total other expenses	<u>3,129</u>	<u>4,054</u>	<u>13,083</u>	<u>1,737</u>
(d) <b>Finance costs:</b>				
Convertible notes interest paid/payable	2,163	2,510	2,163	2,510
Unwinding of present value discount	1	16	-	-
	<u>2,164</u>	<u>2,526</u>	<u>2,163</u>	<u>2,510</u>

For the Year Ended 31 December 2009

**NOTE 4 EXPENSES AND LOSSES/(GAINS) (CONT).**

(e) **Reconciliation of depreciation and amortisation:**

Depreciation of property, plant & equipment	63	83	8	11
Amortisation of oil and gas properties	1,206	1,596	-	-
Total depreciation and amortisation expenses	1,269	1,679	8	11
- included in cost of goods sold	1,206	1,596	-	-
- included in general and administrative	63	83	8	11
Total depreciation and amortisation charges	1,269	1,679	8	11

**NOTE 5 INCOME TAX**

The major components of income tax expense are:

**Income Statement**

*Current Income Tax*

Current income tax charge

- (2,871) - 446

*Deferred Income Tax*

Relating to origination and reversal of timing differences

- 3,154 - 1,058

Adjustments in respect of current income tax of previous years

- (77) - (10,933)

Previously unrecognised deferred tax asset utilised

- (206) - -

Deferred tax asset not brought to account

- - - 9,429

(a) A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit /(loss) before income tax

(3,195) 601 (11,057) 4,761

At Group's statutory income tax rate of 30%

(959) 210 (3,317) 1,428

Tax effect of permanent differences:

- intercompany debt write-off

- - - 3

- Share based payments

88 73 88 73

- Impact of foreign jurisdiction tax rate

221 (77) - -

- Adjustment in respect of current income tax of previous years

- - - (10,933)

- Deferred tax asset not brought to account

650 - 3,228 9,429

- Previously unrecognised deferred tax asset utilised

- (206) - -

Income tax (benefit) / expense

- - - -

**Deferred tax balances**

**CONSOLIDATED**

**12 months to 31 December 2009**

Taxable and deductible temporary differences arise from the following:

*Deferred tax assets*

Accumulated foreign exchange movement

931 - - 931

Provisions

140 9 - 149

Section 40 – 880 costs

61 (78) - 263

Exploration costs

5,421 (3,742) - 1,679

Losses available for offset against future taxable income (USA)

8,524 4,724 - 13,249

Losses available for offset against future taxable income (Australian)

9,463 (379) - 9,084

*Deferred tax liabilities*

Convertible Notes

(115) 116 - 1

Less Unrecognised Net Deferred Tax Assets

(24,425) (650) - (25,356)

**12 months to 31 December 2008**

Taxable and deductible temporary differences arise from the following:

*Deferred tax assets*

Accumulated foreign exchange movement

947 (16) - 931

Provisions

192 (52) - 140

Section 40 – 880 costs

24 37 - 61

Exploration costs

8,597 (3,176) - 5,421

Losses available for offset against future taxable income (USA)

5,208 3,316 - 8,524

Losses available for offset against future taxable income (Australian)

9,909 (446) - 9,463

*Deferred tax liabilities*

Convertible Notes

(246) 131 - (115)

Less Unrecognised Net Deferred Tax Assets

(24,631) 206 - (24,425)

# Notes to the Financial Statements

## For the Year Ended 31 December 2009

ANTARES ENERGY LIMITED

### NOTE 5 INCOME TAX (CONT).

	Opening Balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing Balance \$'000
<b>PARENT</b>				
<b>12 months to 31 December 2009</b>				
Taxable and deductible temporary differences arise from the following:				
<i>Deferred tax assets</i>				
Provision for diminution net of foreign exchange	14,255	3,563	-	19,865
Provisions	7	6	-	13
Section 40 – 880 costs	67	(78)	-	263
Losses available for offset against future taxable income (Australian)	9,463	(379)	-	9,084
	<u>23,792</u>	<u>3,112</u>	<u>-</u>	<u>29,225</u>
<i>Deferred tax liabilities</i>				
Convertible notes	(115)	116	-	1
<i>Less Unrecognised Net Deferred Tax Assets</i>	<u>(23,677)</u>	<u>(3,228)</u>	<u>-</u>	<u>(29,226)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 12 months to 31 December 2008

Taxable and deductible temporary differences arise from the following:

<i>Deferred tax assets</i>				
Provision for diminution net of foreign exchange	6,555	7,700	-	14,255
Provisions	47	(40)	-	7
Section 40 – 880 costs	24	43	-	67
Losses available for offset against future taxable income (Australian)	9,909	(446)	-	9,463
	<u>16,535</u>	<u>7,257</u>	<u>-</u>	<u>23,792</u>
<i>Deferred tax liabilities</i>				
Convertible notes	(246)	131	-	(115)
<i>Less Unrecognised Net Deferred Tax Assets</i>	<u>(16,289)</u>	<u>(7,388)</u>	<u>-</u>	<u>(23,677)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
<b>Unrecognised deferred tax balances</b>				
The following deferred tax assets have not been brought to account as follows:				
Tax losses - revenue (Australian)	9,084	9,463	9,084	9,463
Tax losses (US)	13,249	8,524	-	-
Temporary difference – exploration	1,679	5,421	-	-
Temporary differences – Section 40-880	263	61	263	67
Temporary differences – convertible note (equity)	1	(115)	1	(115)
Temporary differences – provisions	149	140	13	7
Temporary difference – provision for diminution net of foreign exchange	931	931	19,865	14,255
	<u>25,356</u>	<u>24,425</u>	<u>29,226</u>	<u>23,677</u>

The deferred tax assets will only be obtained if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- The conditions for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

### Tax consolidation

Effective 1 July 2002, for the purposes of income taxation, Antares Energy Limited and its 100% owned Australian controlled entities formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement. The tax sharing agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Antares Energy Limited.

Members of the tax consolidated group have entered into a tax funding agreement. Under the funding agreement the funding of tax within the Group is determined with reference to the amount recognised by individual members. The tax funding agreement requires payments to/from the head entity to be recognised via an inter-entity receivable (payable) which is at call. To the extent that there is a difference between the amount charged under the tax funding agreement and the allocation under AASB Interpretation 1052, the head entity accounts for these as equity transactions with the subsidiaries.

The amounts receivable or payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

### Franking Credits

Antares Energy Limited does not have any franking credits at 31 December 2009.

## For the Year Ended 31 December 2009

### NOTE 6 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit or loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

	Consolidated	
	2009 \$'000	2008 \$'000
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Net profit/(loss) attributable to ordinary equity holders of the parent (used in calculating basic and diluted loss per share)	(3,195)	601
	2009 Thousands	2008 Thousands
Weighted average number of ordinary shares for basic and diluted loss per share	203,309	168,278

a) Options and performance rights

None of the 666,666 options or 5,760,035 performance rights outstanding at 31 December 2009 have been included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2009. These options could potentially dilute earnings per share in the future. For details of these options refer to note 13.

b) Convertible notes

None of the convertible notes outstanding at 31 December 2009 have been included in the calculation of diluted earnings per share because they are antidilutive. The notes have also not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 15.

(c) Post balance date events

The Company completed a placement of 30,000,000 ordinary shares in February 2010, raising a total of \$19.2 million before costs.

### NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
Cash at bank and on hand	463	4,085	207	417
Short term deposits	1,200	1,500	1,200	1,500
	1,663	5,585	1,407	1,917

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between 1 and 3 months depending on the cash requirements of the Consolidated Entity. These deposits earn interest at the respective short term-deposit rates.

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>Reconciliation of net loss after tax to net cashflows</b>				
Net profit/(loss)	(3,195)	601	(11,057)	3,490
<b>Non-cash items and other adjustments:</b>				
Depreciation and amortisation	1,269	1,679	8	11
Exploration expenditure written off	1,576	1,658	-	-
Impairment of oil and gas properties	-	256	-	-
Implicit interest on convertible notes	389	435	389	435
Share based payments – employee benefits	294	242	294	242
Gain on buy-back of convertible notes	(175)	(1,116)	(175)	(1,116)
Provision for non-recovery of loans to controlled entities	-	-	-	8,097
Accrued interest on intercompany loan	-	-	(3,924)	(3,971)
Unwinding of the effect of discounting on provisions	1	16	-	-
Foreign exchange movement	7	-	11,878	(10,483)
<b>Change in operating assets and liabilities:</b>				
Decrease/(increase) in receivables	288	(457)	(27)	27
(Decrease)/increase in creditors and payables	78	129	70	(174)
(Decrease)/increase in provisions	95	(172)	20	(134)
Net cash used in operating activities	627	3,271	(2,524)	(3,576)

	Consolidated		Parent	
	2009 \$'000	2008 \$'000	2009 \$'000	2008 \$'000
<b>NOTE 8 TRADE AND OTHER RECEIVABLES</b>				
<b>Current</b>				
Trade receivables (i)	479	1,023	-	-
Other receivables (ii)	45	10	45	10
	<u>524</u>	<u>1,033</u>	<u>45</u>	<u>10</u>
<b>Non-current</b>				
Related party receivables (iii)	-	-	79,794	78,294
Impairment allowance for non-recovery of intercompany loans	-	-	(58,645)	(58,645)
	<u>-</u>	<u>-</u>	<u>21,149</u>	<u>19,649</u>

- (i) Trade receivables are non-interest bearing and are generally 30-90 day terms. Trade receivables do not include any impaired or past due amounts. It is expected that all amounts will be received when due.
- (ii) Other receivables includes insurance claims and accrued interest.
- (iii) For information relating to related party receivables refer to note 21 (iii).

**NOTE 9 PREPAYMENTS (CURRENT)**

Prepayment to joint venture operator	1,634	1,821	-	-
Prepayments	14	70	14	22
	<u>1,648</u>	<u>1,891</u>	<u>14</u>	<u>22</u>

The prepayments to joint venture operators relate to the drilling of the Frances Dilworth – 2 sidetrack exploration well and gas pipeline (2008: Stewart – 1 exploration well).

**NOTE 10 PROPERTY, PLANT AND EQUIPMENT**

Office equipment - cost	639	775	336	384
Accumulated depreciation	(623)	(688)	(336)	(375)
Total Property, Plant and Equipment	<u>16</u>	<u>87</u>	<u>-</u>	<u>9</u>

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

**Office equipment, vehicles and furniture**

Balance at start of period	87	148	9	20
Additions	1	3	-	-
Exchange differences from translation	(8)	20	-	-
Disposals - at cost	(49)	(28)	(49)	(28)
Depreciation	(63)	(83)	(8)	(11)
Disposals - accumulated depreciation	48	28	48	28
Balance at end of period	<u>16</u>	<u>88</u>	<u>-</u>	<u>9</u>

NOTE 11	OIL AND GAS PROPERTIES	Consolidated		Parent	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
		\$'000	\$'000	\$'000	\$'000
	Oil and gas properties				
	- at cost	13,591	9,355	-	-
	- accumulated amortisation	(3,547)	(3,179)	-	-
		<u>10,044</u>	<u>6,176</u>	-	-
	<b>Reconciliation</b>				
	Reconciliation of carrying amounts of oil and gas properties at the beginning and end of the current financial year:				
	<i>At Cost</i>				
	Balance at start of period	9,355	3,618	-	-
	Additions	5,185	459	-	-
	Impairment*	-	(256)	-	-
	Transfer from exploration and evaluation	2,019	3,662	-	-
	Foreign exchange translation	(2,968)	1,872	-	-
	Balance at end of period	<u>13,591</u>	<u>9,355</u>	-	-
	<i>Accumulated amortisation</i>				
	Balance at start of period	(3,179)	(825)	-	-
	Amortisation	(1,206)	(1,596)	-	-
	Foreign exchange translation	838	(758)	-	-
	Balance at end of period	<u>(3,547)</u>	<u>(3,179)</u>	-	-

\*The impairment loss represents the write-down of certain oil and gas properties in the USA to their recoverable amount. This has been recognised in the income statement in the line item "Other expenses". The recoverable amount was based on value in use and was determined at the cash-generating unit level. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 10% on a pre-tax basis. During the previous year several wells were significantly impaired when their production declined significantly faster than anticipated when production commenced due to geological, geophysical and reservoir factors.

NOTE 12	DEFERRED EXPLORATION AND EVALUATION EXPENDITURE	Consolidated		Parent	
		31 December 2009	31 December 2008	31 December 2009	31 December 2008
		\$'000	\$'000	\$'000	\$'000
	Exploration and evaluation costs carried forward in respect of areas of interest:				
	Exploration and/or evaluation phase	<u>12,146</u>	<u>7,334</u>	-	-
	The ultimate recoupment of costs carried forward for the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.				
	<b>Reconciliation</b>				
	Reconciliation of carrying amounts of exploration and evaluation expenditure at the beginning and end of the current financial year:				
	Balance at start of period	7,334	3,679	-	-
	Additions	10,914	7,624	-	-
	Transferred to oil and gas properties	(2,019)	(3,662)	-	-
	Expenditure written off*	(1,576)	(1,658)	-	-
	Foreign exchange translation	(2,507)	1,351	-	-
	Balance at end of period	<u>12,146</u>	<u>7,334</u>	-	-

\* During the current and previous year several exploration wells and associated project costs were fully written off when the wells failed to discover economically recoverable hydrocarbons. Amounts written off during the 2009 year related to the Stewart -1 well.

**NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS**

**Share Options**

The parent entity has not granted any options during 2009. All options were issued at no cost. At balance date the following options remain to be exercised:

	Date of Grant	Date of Expiry	Note	\$0.99 Options	\$0.25 Options
<b>31 December 2009</b>	8 May 2007	8 May 2011	13(b)	666,666	-
				<u>666,666</u>	<u>-</u>
<b>31 December 2008</b>					
	4 November 2008	4 November 2012		-	1,000,000
	8 May 2007	8 May 2011	13(b)	1,000,000	-
				<u>1,000,000</u>	<u>1,000,000</u>

The weighted average remaining contractual life for the share options outstanding as at 31 December 2009 is 0.5 months (31 December 2008: 37 months). All options outstanding at 31 December 2009 have been cancelled at the date of this report.

The range of exercise prices for options outstanding at the end of the year was \$0.99 (31 December 2008: \$0.25-\$0.99).

During the year ended 31 December 2009:

- (i) 1,000,000 \$0.25 options were forfeited; and
- (ii) 333,334 \$0.99 options were forfeited.

(a) **Employee Option Plan:**

An employee option plan was approved by shareholders at the Company's Annual General Meeting on 7 November 2002.

This plan was terminated by the Board on 7 October 2004. Accordingly the Board cannot issue any further options under the plan. Under the plan, Antares Energy Limited, at the discretion of the Board, granted options to subscribe for ordinary shares in Antares Energy Limited to employees of the Consolidated Entity. The options, issued for nil consideration, were granted in accordance with guidelines established by the directors of Antares Energy Limited. The options were issued for a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX.

No grants were made under the plan during the year to 31 December 2009 or the year to 31 December 2008.

	31 December 2009		31 December 2008	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period	-		275,000	1.22
- granted	-		-	
- lapsed	-		-	
- expired	-		(275,000)	1.22
- exercised	-		-	
Balance at end of period	<u>-</u>		<u>-</u>	
Exercisable at end of period (i.e. vested)	-		-	

(i) **Options granted during the reporting period**

There were no options granted by Antares Energy Limited under the Employee Option Plan to employees during the year to 31 December 2009 or the year to 31 December 2008.

**NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (continued)**

(b) Options other than under the Employee Option Plan:

	31 December 2009		31 December 2008	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period (i)	2,000,000	\$0.62	1,400,000	\$0.99
- granted	-	-	1,000,000	\$0.25
- lapsed	(1,333,334)	\$0.43	(400,000)	\$0.99
- expired	-	-	-	-
- exercised	-	-	-	-
Balance at end of period (i)	<u>666,666</u>	\$0.99	<u>2,000,000</u>	\$0.62
Exercisable at end of period (i.e. vested)	666,666	\$0.99	333,333	\$0.99

Options were issued to directors following shareholder approval at the AGM of 7 May 2007.

(i) **Options held as at the end of the reporting period**

The following table summarises information about options held by (ex)directors and employees as at the end of the reporting period:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 31 December 2009	Number of Options 31 December 2008
8 May 2007	8 May 2011	\$0.99	666,666	1,000,000
4 November 2008	4 November 2012	\$0.25	-	1,000,000
			<u>666,666</u>	<u>2,000,000</u>

The fair value of each option is estimated on the date of grant using Black-Scholes methodology. The options granted on 4 November 2008 had a fair value of \$0.037 on that date. The options granted on 8 May 2007 had a fair value of \$0.33 on that date. The options have a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant as long as the holder still holds office. The weighted average assumptions used for the grant made are as follows:

	Date of Grant	
	8 May 2007	4 November 2008
Dividend yield	0%	0%
Expected volatility	50%	107%
Risk-free interest rate	6.1%	4.645%
Expected life of the right	4 years	4 years
Spot price on grant date	\$0.825	\$0.068
Fair value at grant date	\$0.33	\$0.037

The dividend yield is assumed to remain at zero. The expected life of the option is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the general assumption that the historical volatility is indicative of future trends, with consideration given to the historical volatility of the share price of a number of broadly comparable ASX listed companies operating in the energy and natural resources sector, which may also not necessarily be the actual outcome.

The fair value of options issued is expensed in the financial statements. The amount expensed is based on the fair value of the option at grant date, amortised over the vesting period. In total, for the year to 31 December 2009, \$56,816 (2008: \$87,994) is expensed in the financial statements in respect of options. Additionally, during the year to 31 December 2009 a credit of \$78,811 (2008: Nil) was recognised on the cancellation of unvested options that had previously been expensed. This is disclosed in note 4 as part of overall share based payments of \$294,000 (2008: \$242,000).

**NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)**

**Performance Rights**

At the Company's annual general meeting on 23 November 2004, shareholders approved a Performance Rights Plan. Under the plan the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights. The rights are provided at no cost to the employee and a vested right can be exercised by the holder for nil consideration. The performance rights have a service condition attached whereby performance rights are forfeited if a performance rights holder is no longer an employee.

As at 31 December 2009 there were four series of performance rights on issue – Series 2 -5.

*Series 2*

The Series 2 performance periods commenced on 1 January 2008 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2008, 2009 and 2010.

In the year to 31 December 2007, 6,140,000 series 2 performance rights were granted to employees including executive directors. 5,340,000 of these performance rights were granted on 2 July 2007 with a first exercise date of approximately 31 March 2009, a last exercise date on 2 July 2012 and the value per right at the date of grant was \$0.58. 800,000 performance rights were granted on 31 October 2007 with a first exercise date of approximately 31 March 2009, a last exercise date on 31 October 2012 and the value per right at the date of grant was \$0.47.

The performance hurdles are as follows:

	<b><u>Hurdle Weighting</u></b>	
	<b><u>Series 1</u></b>	<b><u>Series 2</u></b>
A) Market capitalisation	30%	30%
B) Hydrocarbon production	25%	25%
C) Hydrocarbon reserves	25%	25%
D) Finding and development costs	10%	10%
E) Earnings before interest, tax, depreciation, amortisation and exploration write-offs (EBITDAX)	10%	10%
	<u>100%</u>	<u>100%</u>

*Series 3, 4 and 5*

The Series 3 and 4 performance periods commenced in 2008 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2008, 2009 and 2010.

The Series 5 performance periods commenced in 2009 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2009, 2010 and 2011.

In the year to 31 December 2009, 2,000,000 series 5 performance rights were granted to executive directors. These performance rights were granted on 8 October 2009 with a first exercise date of approximately 31 March 2010, a last exercise date on 8 October 2014 and the average value per right at the date of grant was \$0.16.

In the year to 31 December 2008, 4,950,000 series 3 performance rights were granted to employees including executive directors. 3,250,000 of these performance rights were granted on 7 May 2008 with a first exercise date of approximately 31 March 2009, a last exercise date on 7 May 2013 and the average value per right at the date of grant was \$0.022. 1,700,000 series 4 performance rights were granted on 4 November 2008 with a first exercise date of approximately 31 March 2009, a last exercise date on 4 November 2013 and the average value per right at the date of grant was \$0.013.

The performance hurdle is based on the weighted average share price of Antares Energy Limited over the last five trading days of the calendar year. The hurdles for Series 3 and 4 are set as follows:

Performance period	<i>Minimum price (cents) for which the following % of rights vest</i>		
	30%	60%	100%
31 December 2008	15	20	25
31 December 2009	30	35	40
31 December 2010	45	50	55

The hurdles for Series 5 is set as follows:

Performance period	<i>Minimum price (cents) for which the following % of rights vest</i>		
	30%	60%	100%
31 December 2009	15	20	25
31 December 2010	30	35	40
31 December 2011	45	50	55

**NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)**

In accordance with the terms and conditions of the Performance Rights Plan, the parent entity has granted performance rights that are exercisable in whole or in part on or before the expiry date shown below. All rights were issued at no cost. At balance date the following rights remain to be exercised:

	Date of Grant	Date of Expiry	Series	Number of Rights		
				Unvested	Vested	Total
<b>31 December 2009</b>	2 July 2007	2 July 2012	2	516,666	335,834	852,500
	31 October 2007	31 October 2012	2	166,666	108,334	275,000
	7 May 2008	7 May 2013	3	750,001	750,000	1,500,001
	4 November 2008	4 November 2013	4	566,668	566,666	1,133,334
	8 October 2009	8 October 2014	5	1,333,334	666,666	2,000,000
				<u>3,333,335</u>	<u>2,427,500</u>	<u>5,760,835</u>

	Date of Grant	Date of Expiry	Series	Number of Rights		
				Unvested	Vested	Total
<b>31 December 2008</b>	2 July 2007	2 July 2012	2	1,033,333	206,667	1,240,000
	31 October 2007	31 October 2012	2	333,333	66,667	400,000
	7 May 2008	7 May 2013	3	1,500,001	-	1,500,001
	4 November 2008	4 November 2013	4	1,133,334	-	1,133,334
				<u>4,000,001</u>	<u>273,334</u>	<u>4,273,335</u>

The weighted average remaining contractual life of the rights on issue at 31 December 2009 is 45 months (2008: 49 months).

Information with respect to the movement in the number of performance rights on issue under the Performance Rights Plan is as follows:

	<u>31 December 2009</u>	<u>31 December 2008</u>
Balance at beginning of period	4,273,335	8,326,792
- granted	2,000,000	4,950,000
- lapsed	(239,166)	(8,188,332)
- exercised*	(273,334)	(815,125)
Balance at end of period	<u>5,760,835</u>	<u>4,273,335</u>
Exercisable at end of period (i.e. vested)	2,427,500	273,334

\*The weighted average share price on the day of issue of new shares as a result of exercising was \$0.22 (2008: \$0.09).

**Details of performance rights granted during the period are as follows:**

Date of Grant	Date of Expiry	Series	Fair Value at Grant Date	31 December 2009	31 December 2008
8 October 2009	8 October 2014	5	\$0.18	2,000,000	-
4 November 2008	4 November 2013	4	\$0.016	-	1,700,000
7 May 2008	7 May 2013	3	\$0.022	-	3,250,000
				<u>2,000,000</u>	<u>4,950,000</u>

These rights are not quoted on ASX.

The Performance Rights Plan Rules are available on the Company's web site at [www.antaresenergy.com](http://www.antaresenergy.com).

**NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)**

The fair value of each right is estimated on the date of grant using Black-Scholes methodology. The weighted average fair value of rights granted during the period is \$0.18 (2008: \$0.02). The weighted average assumptions used for the grants made are as follows:

	Date of Grant		
	7 May 08	4 November 08	8 October 09
Dividend yield	0%	0%	0%
Expected volatility	90%	107%	92%
Risk-free interest rate	6.27%	4.645%	5.258%
Expected life of the right	5 years	4.8 years	5.0 years
Spot price on grant date	\$0.081	\$0.068	\$0.245

The dividend yield is assumed to remain at zero. The expected life of the right is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Hurdle A for series 2 and the series 3, 4 and 5 hurdle are market related hurdles. As such the fair value of rights under these hurdles are calculated at grant date and have been priced accordingly using the Black-Scholes methodology. A Monte Carlo simulation has also been used to determine the indicative value in respect of Hurdle A for series 2 and the series 3, 4 and 5 hurdle. Values also differ over the different vesting years.

Hurdles B to D for series 2 are non-market related hurdles, and as per AASB 2 "Share-based Payments", no estimate of value impact has been incorporated into the valuation. As the dividend yield is zero, the value at grant date is the spot price. The amount expensed in the financial statements is the fair value at the date of grant amortised over the vesting period of the right. For the non-market related performance hurdles (hurdles B to D), the number of rights used to calculate the expense is reduced to the number of rights that directors consider likely to vest as a result of the performance hurdles being met. Amounts expensed in previous years for rights that do not ultimately vest due to non-market performance hurdles not being met are written back when expectations change as to whether the hurdles will be met.

For the year to 31 December 2009 \$316,769 (2008: \$154,006) was expensed in the financial statements and disclosed in note 4 as part of share based payments of \$294,000 (2008: \$242,000).

**NOTE 14 TRADE AND OTHER PAYABLES (CURRENT)**

	Consolidated		Parent	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Trade creditors and accruals	562	557	503	434

Trade creditors are non-interest bearing and generally payable within 30 – 60 days.

Accruals include amounts payable as a result of cash calls made by operators of non-operated projects for upcoming capital expenditure such as wells.

	Consolidated		Parent	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000

**NOTE 15 INTEREST-BEARING LOANS AND BORROWINGS**

**Convertible Notes**

Current	-	18,634	-	18,634
Non-Current	14,885	-	14,885	-

On 31 October 2009, 7,500,000 new unsecured convertible notes were issued at \$2.00 each, to replace the notes that were expiring on that date. The convertible notes are a compound financial instrument comprising both an equity component and a debt component. Based on estimated interest rates for similar debt without conversion options of 10.7% per annum, the convertible notes were classified \$120,276 as equity component and the balance of \$14,879,724 as debt component. Interest is recognised using the effective interest method over the period to the next reset date of 31 October 2012 at which time noteholders can elect to redeem their notes for \$2 each. The effective interest rate on the convertible notes is 10.7%.

During the year 982,244 convertible notes (2008: 1,052,446) were bought back on market for \$1.789 million (2008: \$0.998 million).

As at 31 December 2009 there was a total of 7,500,000 notes on issue (2008: 9,508,789). The terms of the notes are as follows:

Interest Rate: 10% per annum (payable quarterly in arrears)  
 Conversion Rate: 1:1 (each note is convertible into one fully paid ordinary share)  
 Next reset date: 31 October 2012

The notes mature on 30 October 2013. As the next reset date when note-holders can elect to redeem their notes is more than 12 months away, the liability is classified as non-current.

	Consolidated		Parent	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000

**NOTE 16 PROVISIONS**

**Current**

Employee leave benefits	150	68	7	-
Restoration	147	194	-	-
	297	262	7	-

**Non Current**

Employee leave benefits	36	24	36	23
Restoration	91	113	-	-
	127	137	36	23

**Reconciliation of Movements in Restoration Provision**

Balance at start of period	387	320	-	-
Additions during period	5	51	-	-
Unwinding of present value discount	1	16	-	-
Expenditure	-	(88)	-	-
Foreign exchange movements	(155)	88	-	-
Balance at end of period	238	387	-	-

NOTE 17	CONTRIBUTED EQUITY	Consolidated		Parent	
		31 December	31 December	31 December	31 December
		2009	2008	2009	2008
		\$'000	\$'000	\$'000	\$'000
	Issued and paid up capital:				
	Fully paid ordinary shares	77,563	62,253	77,563	62,253

The only shares the Company has on issue are fully paid ordinary shares. These shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds of the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective 1 July 1998, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the parent does not have authorised capital nor par value in respect of its issued shares.

	12 months to 31 December 2009		12 months to 31 December 2008	
	No. of shares	\$'000	No. of shares	\$'000
Movement in ordinary shares on issue:				
Beginning of the period	184,242,277	62,253	159,197,675	59,767
Share purchase plan	16,890,000	4,223	-	-
Share based payments – equity line of credit facility	-	-	229,477	86
Placement of shares	45,000,000	12,000	24,000,000	2,400
Shares issued for nil consideration as a result of the exercise of vested performance rights	273,334	-	815,125	-
Capital raising costs	-	(913)	-	-
End of the period	246,405,611	77,563	184,242,277	62,253

#### Capital management

When managing capital, the Board's objective is to ensure the Consolidated Entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

The Board may in the future adjust the capital structure to take advantage of favourable costs of capital and issue further shares in the market. The Board has no current plans to adjust the capital structure. There are no plans to distribute dividends in the next year.

The Consolidated Entity is not subject to any externally imposed capital requirements.

Management monitor capital by reviewing the level of cash on hand, future revenue streams from oil and gas reserves and assessing the impact of possible future commitments in respect of the convertible notes and the potential capital structure that would be required to meet those potential commitments. The Company has bought-back on market 982,244 convertible notes during the year (refer to note 15) to take advantage of market prices below the face value of the convertible notes, improving the Consolidated Entity's capital structure.

	Consolidated		Parent	
	31 December	31 December	31 December	31 December
	2009	2008	2009	2008
	\$'000	\$'000	\$'000	\$'000
Total borrowings	15,447	19,191	15,388	19,068
Less cash and cash equivalents	(1,663)	(5,585)	(1,407)	(1,917)
Net debt	13,784	13,606	13,981	17,151
Total equity	10,170	2,516	7,184	2,516
Total capital	23,954	16,122	21,165	19,667

#### Equity Line of Credit Facility

On 18 December 2007 the Company announced it had secured a A\$20,000,000 facility with US-Based Investment Fund YA Global Investments, LP, doing business as Cornell Capital Partners L.P. (Cornell). Under the terms of the facility, the Company could, at its discretion, issue shares to Cornell at any time until the expiry date of 17 December 2010, up to a total aggregate value of A\$20,000,000. Generally, the Company could at its absolute discretion, from time to time, draw down up to A\$300,000 in any 10-trading day period.

Shares issued to Cornell would be priced at a 2% discount to the lowest daily volume weighted average price (VWAP) of the Company's shares traded on each of the 10 trading days which follow an advance notice by the Company. A commission of 3% of the relevant advance drawn from time to time will be payable by the Company to or at the direction of Cornell at the time of issue.

Under the agreement any trading day where the Company's share price (VWAP) is less than \$0.2132 is excluded from the pricing period of a draw down and the draw down amount reduced accordingly.

**NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**Overview**

The Company and Group have exposure to the following risks from their use of financial instruments:

- a) market risk;
- b) liquidity risk; and
- c) credit risk.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Compliance Committee, which is responsible for developing and monitoring risk management policies.

The Group's principal financial instruments comprise cash and short-term deposits and convertible notes.

The main purpose of these financial instruments is to provide working capital for the Group's operations.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are market risk (which includes interest rate risk, foreign currency risk and commodity risk), liquidity risk and credit risk. The Board reviews and agrees on policies for managing each of these risks and they are summarised below:

**a) Market risk**

**Interest Rate Risk**

At balance date the Group's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits. The Group is not exposed to cash flow volatility from interest rate changes on borrowings as the convertible note carries a fixed rate of interest of 10% per annum.

The Group constantly analyses its exposure to interest rates, with consideration given to potential renewal of existing positions, the mix of fixed and variable interest rates and the period to which deposits may be fixed.

The Group currently manages its finance costs using only fixed rate debt, which removes cash flow volatility from interest rate changes. The Group's policy is to select the most cost efficient mix of fixed and variable rate debt.

At balance date, the Group had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
<i>Financial Assets – interest bearing</i>				
Cash and cash equivalents	1,663	5,585	1,407	1,917
Trade and other receivables*	-	-	21,149	18,793
<b>Net exposure</b>	<b>1,663</b>	<b>5,585</b>	<b>22,556</b>	<b>20,710</b>

\*As at 31 December 2009 the parent was entitled to receive interest on its loan to a wholly owned subsidiary at the rate of 8.52% per annum (2008: 8.52%), being the Wall Street Journal Prime Rate plus a margin of 5.27%.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The 1.0% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical short term deposit rate movements over the last 3 years.

In the year to 31 December 2009 if interest rates had moved as illustrated in the table below, with all other variables held constant, the post tax result relating to financial assets of the Group would have been affected as follows:

	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
Judgements of reasonably possible movements:				
<i>Post tax profit – higher/(lower)</i>				
+1.0% (2008:+ 1.0% per annum)	17	56	226	207
-1.0% (2008: - 1.0% per annum)	(17)	(56)	(226)	(207)

There would have been no other impact on equity (reserves) from movements in interest rates relating to financial assets of the Group.

**NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)**

**Foreign Currency Risk**

As a result of oil and gas exploration, development and production operations in the USA being denominated in USD, the Group's balance sheet can be affected significantly by movements in the USD/AUD exchange rates. The Company does not hedge this exposure.

The Group manages its foreign exchange risk by constantly reviewing its exposure to commitments payable in foreign currency and ensuring appropriate cash balances are maintained in United States Dollars, to meet current operational commitments.

At 31 December 2009 and 31 December 2008 the Consolidated Entity had no forward foreign exchange contracts in place.

At 31 December 2009, the Group had the following exposures to USD foreign currency:

	<b>Consolidated</b>		<b>Parent</b>	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
<b>Financial Assets</b>				
Cash and cash equivalents	26	186	26	186
Trade and other receivables	-	-	18,968	18,793
	<u>26</u>	<u>186</u>	<u>18,994</u>	<u>18,979</u>

The following sensitivity analysis is based on the foreign currency risk exposures for financial instruments in existence at the balance sheet date. The 10% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar, for the preceding 5 years.

At 31 December 2009, if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the post tax result and other equity would have been affected as follows:

	<b>Consolidated</b>		<b>Parent</b>	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
Judgements of reasonably possible movements:				
<i>Post tax profit – higher/(lower)</i>				
AUD/USD + 10% (2008: 10%)	(3)	(19)	(1,897)	(1,879)
AUD/USD - 10% (2008: 10%)	3	19	1,897	1,879
<i>Other equity – higher/(lower)</i>				
AUD/USD + 10% (2008: 10%)	-	-	-	-
AUD/USD - 10% (2008: 10%)	-	-	-	-

**Commodity price risk**

The Group is exposed to commodity price fluctuations through the sale of petroleum products denominated in US dollars – specifically the natural gas, condensate and oil prices in the USA.

The Board manages the potential risk by monitoring and stress testing the Consolidated Entity's forecast financial position to sustained periods of low and high commodity prices. During the year to 31 December 2009 and 31 December 2008 no forward contracts were entered into and there were no open positions at 31 December 2009 or 31 December 2008.

There Group did not hold any financial instruments at 31 December 2009 or 31 December 2008 that would be impacted by a change in commodity price.

**NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)**

**(b) Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of its cash and funding alternatives.

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities. The Consolidated Entity currently has in place an equity line of credit facility as set out in Note 17.

Management of liquidity has been discussed in note 1(a) of these financial statements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of any netting agreements.

	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
0 – 6 months	1,312	558	1,253	434
6 – 12 months	750	18,634	750	18,634
1 – 5 years	17,750	-	17,750	-
	<u>19,812</u>	<u>19,192</u>	<u>19,753</u>	<u>19,068</u>

The following table discloses maturity analysis of financial assets and liabilities based on management expectation:

Consolidated as at 31 December 2009	≤ 6 months	6 – 12 months	1 – 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000s	\$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1,663	-	-	-	1,663
Trade and other receivables	524	-	-	-	524
	<u>2,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,187</u>
<b>Financial Liabilities</b>					
Payables	562	-	-	-	562
Convertible notes	750	750	17,750	-	19,250
	<u>1,312</u>	<u>750</u>	<u>17,750</u>	<u>-</u>	<u>19,812</u>
Net inflow/(outflow)	<u>875</u>	<u>(750)</u>	<u>(17,750)</u>	<u>-</u>	<u>(17,625)</u>
<b>Parent as at 31 December 2009</b>					
	≤ 6 months	6 – 12 months	1 – 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000s	\$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1,407	-	-	-	1,407
Trade and other receivables	45	-	-	-	45
	<u>1,452</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,452</u>
<b>Financial Liabilities</b>					
Payables	503	-	-	-	503
Convertible notes	750	750	17,750	-	19,250
	<u>1,253</u>	<u>750</u>	<u>17,750</u>	<u>-</u>	<u>19,753</u>
Net inflow/(outflow)	<u>199</u>	<u>(750)</u>	<u>(17,750)</u>	<u>-</u>	<u>(18,301)</u>
<b>Consolidated as at 31 December 2008</b>					
	≤ 6 months	6 – 12 months	1 – 5 years	> 5 years	Total
	\$'000	\$'000	\$'000	\$'000s	\$'000
<b>Financial Assets</b>					
Cash and cash equivalents	5,585	-	-	-	5,585
Trade and other receivables	1,033	-	-	-	1,033
	<u>6,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,618</u>
<b>Financial Liabilities</b>					
Payables	558	-	-	-	558
Convertible notes	-	18,634	-	-	18,634
	<u>558</u>	<u>18,634</u>	<u>-</u>	<u>-</u>	<u>19,192</u>
Net inflow/(outflow)	<u>6,060</u>	<u>(18,634)</u>	<u>-</u>	<u>-</u>	<u>(12,574)</u>

**NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)**

Parent as at 31 December 2008	≤ 6 months \$'000	6 – 12 months \$'000	1 – 5 years \$'000	> 5 years \$'000s	Total \$'000
<b>Financial Assets</b>					
Cash and cash equivalents	1,917	-	-	-	1,917
Trade and other receivables	10	-	-	-	10
Other financial assets	-	-	-	19,649	19,649
	<u>1,927</u>	<u>-</u>	<u>-</u>	<u>19,649</u>	<u>21,576</u>
<b>Financial Liabilities</b>					
Payables	434	-	-	-	434
Convertible notes	-	18,634	-	-	18,634
	<u>434</u>	<u>18,634</u>	<u>-</u>	<u>-</u>	<u>19,068</u>
Net inflow/(outflow)	<u>1,493</u>	<u>(18,634)</u>	<u>-</u>	<u>19,649</u>	<u>2,508</u>

**(c) Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and other financial assets. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

The Group trades only with recognised, creditworthy third parties and has adopted a policy of dealing with creditworthy counterparts and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Specific concentration of credit risk exists primarily within trade receivables in respect of receivables due from joint venture operators for the Consolidated Entity's share of proceeds from the sale of oil and gas by the operator, as well as cash held by joint venture operators in advance of operations being performed.

As at 31 December 2009 all trade receivables and other receivables relating to cash held in advance of operations were receivable from joint venture operators who have no history of credit default with the Group, and no allowance for impairment is considered necessary for potential default.

Other than the concentration of credit risk described above, the consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the consolidated entity's maximum exposure to credit risk.

**(d) Fair Value**

The Directors consider that the carrying amount of the financial assets and liabilities recorded in the financial statements approximate their fair values except for the convertible notes.

The fair values are determined as follows :

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on an active liquid market is determined with reference to the quoted price; and
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The fair value of convertible notes was determined in reference to the closing market price on 31 December 2009. The fair value of the financial liability was \$1.78 per note which equates to a total fair value of \$13,350,000 compared to the carrying value of \$14,885,488 (2008: fair value \$10,459,668, carrying value \$18,634,000). The equity component of the convertible notes was calculated by using the Black-Scholes model and deducting this value from the fair value of the convertible note to arrive at the fair value of the financial liability.

**NOTE 19 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES**

There are no outstanding commitments or contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 31 December 2009 other than:

**(a) Exploration Commitments**

Estimated expenditures at reporting date, committed to but not provided for, including:

- i) commitments to maintain rights of tenure to its petroleum exploration permits being permit rentals and minimum expenditure obligations; and
- ii) commitments under farmin agreements, participation agreements and joint operating agreements.

	<b>Consolidated</b>		<b>Parent</b>	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
Not later than one year	-	-	-	-
Later than one year but not later than 5 years	-	-	-	-
	-	-	-	-

These commitments may vary according to whether:

- (i) any of the existing permits are relinquished or converted to other forms of title;
- (ii) any of the existing permits are farmed out or sold;
- (iii) any new permits are acquired; and
- (iv) existing permit expenditure conditions are varied.

**(b) Operating Lease Commitments – Consolidated Entity as a Lessee**

The Consolidated Entity has non-cancellable operating leases for office premises and office equipment.

	<b>Consolidated</b>		<b>Parent</b>	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
Minimum lease payments:				
Not later than one year	71	24	71	24
Later than one year but not later than 5 years	129	-	129	-
Total	200	24	200	24

**(c) Contingent Assets and Liabilities**

There are no contingent assets or liabilities at 31 December 2009.

NOTE 20 INTEREST IN JOINTLY CONTROLLED ASSETS	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
The Consolidated Entity has interests in various unincorporated joint ventures. The share of assets, liabilities, revenues and expenses of the jointly controlled operations, which are included in the financial statements, are as follows:				
<b>CURRENT ASSETS</b>				
Trade and other receivables	479	1,023	-	-
Prepayments	1,634	1,821	-	-
<b>Total current assets</b>	<b>2,113</b>	<b>2,844</b>	-	-
<b>NON-CURRENT ASSETS</b>				
Oil and Gas Properties	10,044	6,166	-	-
Deferred exploration and evaluation expenditure	12,146	6,153	-	-
<b>Total non-current assets</b>	<b>22,190</b>	<b>12,319</b>	-	-
<b>TOTAL ASSETS</b>	<b>24,303</b>	<b>15,163</b>	-	-
<b>CURRENT LIABILITIES</b>				
Trade and other payables	48	84	-	-
Provisions	147	330	-	-
<b>Total current liabilities</b>	<b>195</b>	<b>414</b>	-	-
<b>NON CURRENT LIABILITIES</b>				
Provisions	91	107	-	-
<b>Total non current liabilities</b>	<b>91</b>	<b>107</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>286</b>	<b>521</b>	-	-
<b>NET ASSETS</b>	<b>24,017</b>	<b>14,642</b>	-	-
Revenues	3,373	8,099	-	-
Expenses	(648)	(728)	-	-
Impairment of oil & gas properties and deferred exploration expenditure	(1,576)	(1,914)	-	-
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>1,149</b>	<b>5,457</b>	-	-
Income tax expense	-	-	-	-
<b>Net profit/(loss) after tax</b>	<b>1,149</b>	<b>5,457</b>	-	-

(i) There are no outstanding commitments or contingent liabilities specific to the joint ventures not provided for in the financial statements of the Consolidated Entity as at 31 December 2009 other than estimated exploration expenditures at reporting date, committed to but not provided for, including:

- commitments to maintain rights of tenure to its petroleum exploration permits being permit rentals and minimum expenditure obligations; and
- commitments under farmin agreements, participation agreements and joint operating agreements

	Consolidated		Parent	
	31 December 2009 \$'000	31 December 2008 \$'000	31 December 2009 \$'000	31 December 2008 \$'000
Not later than one year	-	-	-	-
Later than one year but not later than 5 years	-	-	-	-
	-	-	-	-

The above commitments are included in the total commitments as set out in note 19.

These commitments may vary according to whether:

- (a) any of the existing permits are relinquished or converted to other forms of title;
- (b) any of the existing permits are farmed out or sold;
- (c) any new permits are acquired; and
- (d) existing permit expenditure conditions are varied.

**NOTE 20 INTEREST IN JOINTLY CONTROLLED ASSETS (CONT.)**

(ii) At 31 December 2009 the Consolidated Entity held the following interests in oil and gas production and exploration joint ventures:

Joint Venture	Working Interest	
	31 Dec 2009	31 Dec 2008
Porter's Creek – Wharton County, Texas	25.0%	25.0%
Kenedy Ranch (Group A) – Kenedy County, Texas	5.0%	5.0%
Shaeffer Ranch – Jim Wells, Live Oak and Duvall Counties, Texas	50.0%	50.0%
Oyster Creek – Brazoria County, Texas	75.0%	75.0%
Scott-2 (Oyster Creek) – Brazoria County Texas	67.5%	67.5%
Yellow Rose – McMullen County, Texas	75.0%	50.0%
West Wharton – Wharton County, Texas	26.2%	26.2%
HPY – Jim Wells County, Texas**	-	50.0%
Rowena Wilcox – Jim Wells County, Texas*	50.0%	50.0%

\* These joint ventures evolved out of the Shaeffer Ranch joint venture.

\*\* All capitalised expenditure relating to this project has been written off during the year ended 31 December 2009.

(iii) Principal activities of jointly controlled operations

Petroleum exploration and production is the principle activity of all of the joint ventures that the Consolidated Entity is a participant in at 31 December 2009. All joint operations are located onshore Texas, USA.

**NOTE 21 RELATED PARTY DISCLOSURES**

(i) *ULTIMATE PARENT*

Antares Energy Limited is the ultimate parent company.

(ii) *CONSOLIDATED ENTITY*

At year end the Consolidated Entity consisted of the subsidiaries listed in the following table:

	Country of Incorporation	Class of Share	% Equity interest		Investment (\$'000)	
			31 December 2009	31 December 2008	31 December 2009	31 December 2008
<i>Controlled entities of Antares Energy Limited:</i>						
Santa Energy Pty Ltd	Australia	Ord Shares	100	100	-	-
<i>Controlled entities of Santa Energy Pty Ltd:</i>						
Antares Energy Company	USA	Common Stock	100	100		

(iii) *WHOLLY OWNED GROUP TRANSACTIONS*

Transactions between Antares Energy Limited and other entities in the wholly-owned group during the year ended 31 December 2009 and the year ended 31 December 2008 consisted of:

- (a) Interest of \$3,924,253 (2008: \$3,970,738) was charged on the loans during the period; and
- (b) impairment of loan from the company to its subsidiary, Antares Energy Company (refer note 8).

	<b>Parent</b>	
	31 December 2009 \$'000	31 December 2008 \$'000
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Antares Energy Company (i)	45,339	49,719
Santa Energy Pty Ltd (ii)	34,455	28,575
Total due	<u>79,794</u>	<u>78,294</u>
Impairment allowance for non-recovery (iii)	<u>(58,645)</u>	<u>(58,645)</u>
	<u>21,149</u>	<u>19,649</u>
<b>Reconciliation</b>		
Reconciliation of the provision for non-recovery:		
Balance at start of period	58,645	51,819
Increase in provision for impairment	-	10
Effect of foreign exchange	-	6,816
Balance at end of period	<u>58,645</u>	<u>58,645</u>

- (i) The amount due from Antares Energy Company is considered to be recorded at fair value due to a market rate of interest being applied (refer to note 18(a)). The loan is due for repayment in 2017 but will be rolled over on maturity.
- (ii) The amount due from Santa Energy Pty Ltd is non-interest bearing, is repayable upon demand and has been fully provided for.
- (iii) The allowance for impairment for non-recovery is a result of the impairment and amortisation of oil and gas properties and the write off of deferred exploration and evaluation expenditure as set out in notes 11 and 12 respectively.

**NOTE 22 EVENTS AFTER THE BALANCE SHEET DATE**

No matter or circumstance has arisen since 31 December 2009 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

- The Company completed a placement of 30,000,000 ordinary shares in February 2010, raising a total of \$19.2 million before costs.

**NOTE 23 AUDITOR'S REMUNERATION**

The auditor of Antares Energy Limited is Ernst & Young.

	Consolidated		Parent	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
	\$'000	\$'000	\$'000	\$'000
Amounts received or due and receivable by Ernst & Young Australia in relation to the entity or any other entity in the Consolidated Entity:				
- an audit or review of the financial report	108	132	108	132
- tax and compliance services	12	37	12	37
	<u>120</u>	<u>169</u>	<u>120</u>	<u>169</u>

**NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES**

**(a) Details of Key Management Personnel**

<i>(i) Directors</i>		
J.A. Cruickshank		Executive Chairman and CEO from 16 October 2009 Managing Director and CEO to 16 October 2009
M.G. Gentry		Chief Operating Officer – appointed 16 October 2009
G.D. Shoemaker		Chief Scientist – appointed 16 October 2009
V.A. McAppion		Director and Company Secretary – appointed 16 October 2009
M.G. Clohessy		Director (non-executive) – appointed 16 October 2009
R.A. Elliott		Chairman (non-executive) – retired 16 October 2009
W.R.B. Hassell		Director (non-executive) – retired 16 October 2009
<i>(ii) Executives</i>		
H. Lennerts		Company Secretary – resigned 16 October 2009

There were no other changes in the key management personnel between the end of the financial year and the date of this report.

**(b) Remuneration of Key Management Personnel**

*(i) Compensation by Category: Key Management Personnel*

	Consolidated		Parent	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-Term	727,801	943,004	727,801	587,370
Post Employment	10,531	30,655	10,531	30,655
Termination benefits	-	94,709	-	94,709
Share-based Payments	294,774	185,682	294,774	87,994
	<u>1,033,106</u>	<u>1,254,050</u>	<u>1,033,106</u>	<u>800,728</u>

**NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)**

(ii) *Shareholdings of Key Management Personnel (Consolidated)*

31 December 2009					
	Balance 1 Jan 09	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 09 or resignation date
<b>Directors</b>					
J.A. Cruickshank	6,908,979	-	106,667	984,354	8,000,000
G.D. Shoemaker	-	-	-	136,333	136,333
M.D. Gentry	-	-	-	621,667	621,667
M.G. Clohessy	-	-	-	2,630,000	2,630,000
V.A. McAppion	-	-	-	29,892	29,892
R.A. Elliott	2,500,000	-	-	300,000	2,800,000
W.R.B. Hassell	190,000	-	-	99,000	289,000
<b>Executive</b>					
H. Lennerts	-	-	-	-	-
<b>Total</b>	<b>9,598,979</b>	<b>-</b>	<b>106,667</b>	<b>4,801,246</b>	<b>14,506,892</b>
31 December 2008					
	Balance 1 Jan 08	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 08
<b>Directors</b>					
R.A. Elliott	2,500,000	-	-	-	2,500,000
J.A. Cruickshank	6,389,500	-	-	519,479	6,908,979
W.R.B. Hassell	190,000	-	-	-	190,000
H.M. McLaughlin	1,230,000	-	400,000	126,000	1,756,000
F.D. Campbell	125,000	-	-	-	125,000
<b>Executive</b>					
D.J. Rich	270,764	-	-	-	270,764
D.M. Scull	-	-	64,500	-	64,500
<b>Total</b>	<b>10,705,264</b>	<b>-</b>	<b>464,500</b>	<b>645,479</b>	<b>11,815,243</b>

All equity transactions with key management personnel other than those arising from the exercise of performance rights have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arms length.

(iii) *Option holdings of Key Management Personnel (Consolidated)*

Year to 31 December 2009	Exercise Price	Balance at 1 Jan 2009	Options Exercised	Options Lapsed	Options Granted	Balance	Vested at
						at 31 Dec 2009	31 Dec 2009
						<b>Total</b>	
<b>Directors</b>							
R.A. Elliott	\$0.99	600,000	-	(200,000)	-	400,000	400,000
	\$0.25	600,000	-	(600,000)	-	-	-
W.R.B. Hassell	\$0.99	400,000	-	(133,334)	-	266,666	266,666
	\$0.25	400,000	-	(400,000)	-	-	-
<b>Total</b>		<b>2,000,000</b>	<b>-</b>	<b>(1,333,334)</b>	<b>-</b>	<b>666,666</b>	<b>666,666</b>

\* All options vested at 31 December 2009 are exercisable.

Year to 31 December 2008	Exercise Price	Balance at 1 Jan 2008	Options Exercised	Options Lapsed	Options Granted	Balance	Vested at
						at 31 Dec 2008	31 Dec 2008
						<b>Total</b>	
<b>Directors</b>							
R.A. Elliott	\$0.99	600,000	-	-	-	600,000	200,000
	\$0.25	-	-	-	600,000	600,000	-
W.R.B. Hassell	\$0.99	400,000	-	-	-	400,000	133,333
	\$0.25	-	-	-	400,000	400,000	-
F.D. Campbell	\$0.99	400,000	-	(400,000)	-	-	-
<b>Executives</b>							
D.M. Scull	\$1.22	275,000	-	(275,000)	-	-	-
<b>Total</b>		<b>1,675,000</b>	<b>-</b>	<b>(675,000)</b>	<b>1,000,000</b>	<b>2,000,000</b>	<b>333,333</b>

\* All options vested at 31 December 2008 are exercisable.

**NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)**

(iv) *Convertible Note holdings of Key Management Personnel (Consolidated)*

As at 31 December 2009 the following Key Management Personnel held convertible notes:

31 December 2009	Balance 1 Jan 2009	Net Change Other	Balance 31 Dec 2009 or resignation date
<b>Directors</b>			
R.A. Elliott	670,012	-	670,012
W.R.B. Hassell	20,000	-	20,000
<b>Total</b>	<b>690,012</b>	<b>-</b>	<b>690,012</b>
<b>31 December 2008</b>			
	Balance 1 Jan 2008	Net Change Other	Balance 31 Dec 2008 or resignation
<b>Directors</b>			
R.A. Elliott	557,112	112,900	670,012
W.R.B. Hassell	15,000	5,000	20,000
H.M. McLaughlin	24,060	-	24,060
<b>Executive</b>			
D.J. Rich	7,860	-	7,860
<b>Total</b>	<b>604,032</b>	<b>117,900</b>	<b>721,932</b>

All transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arms length.

(v) *Performance Rights holdings of Key Management Personnel (Consolidated)*

2009	<b>Total Number of Unvested Rights on Issue</b>				As at 31 December 2009	Vested Rights on Issue 31 Dec 2009
	As at 1 January 2009	Vested	Lapsed	Granted		
<b>Directors</b>						
J.A. Cruickshank	1,200,000	(1,173,333)	(93,333)	2,000,000	1,933,334	1,173,333
G.D. Shoemaker	1,300,001	(568,332)	(81,667)	-	650,002	568,332
M.D. Gentry	1,166,667	(525,000)	(58,333)	-	583,334	525,000
M.G. Clohessy	-	-	-	-	-	-
V.A. McAppion	333,333	(160,834)	(5,833)	-	166,666	160,834
<b>Total:</b>	<b>4,000,001</b>	<b>(2,427,499)</b>	<b>(239,166)</b>	<b>2,000,000</b>	<b>3,333,336</b>	<b>2,427,499</b>

2008	<b>Total Number of Unvested Rights on Issue</b>				As at 31 December 2008	Vested Rights on Issue 31 Dec 2008
	As at 1 January 2008	Vested	Lapsed	Granted		
<b>Directors</b>						
H.M. McLaughlin	1,700,000	(400,000)	(1,300,000)	-	-	-
J.A. Cruickshank	1,100,000	(106,667)	(793,333)	1,000,000	1,200,000	-
<b>Executives</b>						
D.J. Rich	1,166,667	-	(2,166,667)	1,000,000	-	-
D.M. Scull	1,100,000	(64,500)	(1,035,500)	-	-	-
<b>Total:</b>	<b>5,066,667</b>	<b>(571,167)</b>	<b>(5,295,500)</b>	<b>2,000,000</b>	<b>1,200,000</b>	<b>-</b>

(vi) *Loans to Key Management Personnel*

During the year ended 31 December 2009 and year ended 31 December 2008 there were no loans made to any Key Management Personnel and there were no loans outstanding as at 31 December 2009 or 31 December 2008.

(vii) *Other transactions and balances with Key Management Personnel*

During the year ended 31 December 2009 and the year ended 31 December 2008 there were no transactions with Key Management Personnel other than those described above. At 31 December 2009 and 31 December 2008 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

# ANTARES ENERGY LIMITED

ABN 75 009 230 835

## DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Antares Energy Limited, I state that:

(1) In the opinion of the directors:

- (a) the financial statements, notes and additional disclosures included in the directors report designated as audited of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2009 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2009.

On behalf of the Board.



J.A. CRUICKSHANK  
Executive Chairman

West Perth, Western Australia  
31 March 2010

## Independent auditor's report to the members of Antares Energy Limited

### Report on the Financial Report

We have audited the accompanying financial report of Antares Energy Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards and International Standards on Auditing. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

### *Independence*

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

### **Auditor's Opinion**

In our opinion:

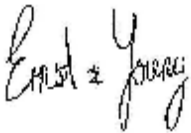
1. the financial report of Antares Energy Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the financial position of Antares Energy Limited and the consolidated entity at 31 December 2009 and of their performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Report on the Remuneration Report**

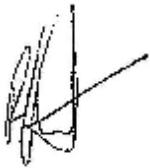
We have audited the Remuneration Report included in paragraph 9.1 to 9.7 of the directors' report for the year ended 31 December 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **Auditor's Opinion**

In our opinion the Remuneration Report of Antares Energy Limited for the year ended 31 December 2009, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin  
Partner  
31 March 2010

## SHAREHOLDER INFORMATION AS AT 23 MARCH 2010

### Ordinary Shares

(a) Twenty Largest Shareholders	Number of Shares	% of issued shares
1. Citicorp Nominees PL	28,133,414	10.18%
2. HSBC Custody Nominees Aust Ltd	22,211,813	8.04%
3. National Nominees Ltd	17,589,477	6.36%
4. Yandal Investments Ltd	12,200,000	4.41%
5. J P Morgan Nominess Aust Ltd	11,965,917	4.33%
6. James Cruickshank	8,000,000	2.89%
7. Link Traders Aust PL	6,500,000	2.35%
8. Collin A Mackellar	5,180,000	1.87%
9. Rodney Alexander Shea	4,433,000	1.60%
10. ANZ Nominees Ltd	3,896,078	1.41%
11. Essential Faith	3,537,500	1.28%
12. Mark Clohessy	2,675,000	0.97%
13. Johjam PL	2,465,000	0.89%
14. Merrill Lynch Aust Nominees PL	2,173,808	0.79%
15. Tangled Blue Investments PL	2,095,000	0.76%
16. Ingrid Miriam Seton	1,840,000	0.67%
17. Howard McLaughlin	1,775,500	0.64%
18. Metro West Investments PL	1,665,000	0.60%
19. Saracen Properties PL	1,625,036	0.59%
20. Jonathan B Kerr-Sheppard	1,600,000	0.58%
<b>Total</b>	<b>141,561,543</b>	<b>51.21%</b>

(b) Distribution of Shareholdings	Number of Shareholders	Number of Shares Held
1 - 1,000	1016	363,150
1,001 - 5,000	1296	3,771,646
5,001 - 10,000	758	6,217,155
10,001 - 100,000	1452	49,500,365
100,00 - and over	309	216,553,295
<b>Total</b>	<b>4831</b>	<b>276,405,611</b>

(c) Substantial Shareholders	Number of Shares	% of Issued Shares
Citicorp Nominees PL	28,133,414	10.18%
HSBC Custody Nominees Austr Ltd	22,211,813	8.04%
National Nominees Ltd	17,589,477	6.36%

### (d) Unmarketable Parcels

There were 714 members holding less than a marketable parcel of shares in the Company.

### (e) Voting Rights

Voting rights of members are governed by the Company's Constitution. In summary, on a show of hands, every member present in person or by proxy shall have one vote and in the event of a poll every such member shall be entitled to one vote for each ordinary fully paid share held.

### (f) Exchanges

Antares Energy Limited is listed on the Australian Securities Exchange. Ordinary shares are listed under the AZZ code.

**Convertible Notes**

**(a) Twenty Largest Convertible Note Holders**

	<b>Number of Convertible Notes</b>	<b>% of Issued Convertible Notes</b>
1. HSBC Custody Nominees Australia Limited	5,433,200	72.44%
2. Link Enterprises (International) PL	596,999	7.96%
3. Michael Edward Constable	215,500	2.87%
4. Dorran PL	150,000	2.00%
5. Kampar PL	92,277	1.23%
6. ANZ Nominees Ltd	80,500	1.07%
7. Gim Tong Teo + B H Kwah	80,500	1.07%
8. D J & B L Le Cornu	76,000	1.01%
9. RBC Dexia Investor Services Aust Nominees PL	50,000	0.67%
10. J Newman & J A Holman	50,000	0.67%
11. Duncan O'Brien	50,000	0.67%
12. Rijeau	41,000	0.55%
13. HK Business Cons PL	35,000	0.47%
14. E B + G F Norris	25,000	0.33%
15. W + H Hall	25,000	0.33%
16. Brookfield Cap PL	20,000	0.27%
17. Gamog No. 8 PL	19,000	0.25%
18. Yee Lan Teo	15,500	0.21%
19. R M Hipkins	15,000	0.20%
20. B F Bamkin	15,000	0.20%
<b>Total</b>	<b><u>7,085,476</u></b>	<b><u>94.47%</u></b>

**(b) Distribution of Convertible Note Holdings**

	<b>Number of Convertible Note Holders</b>	<b>Number of Convertible Notes Held</b>
1 - 1,000	3	2,255
1,001 - 5,000	63	209,760
5,001 - 10,000	15	136,821
10,001 - 100,000	22	755,465
100,00 - and over	4	6,395,699
<b>Total</b>	<b><u>107</u></b>	<b><u>7,500,000</u></b>

**(c) Voting Rights**

Except as required by the Corporations Act, the Notes do not carry any right, and the Noteholders, in that capacity, do not have any right to vote at any general meeting of the Company.

**(d) Exchanges**

Antares Energy Limited Convertible Notes are listed on the Australian Securities Exchange under the code AZZG.

**(g) On-market Convertible Note Buy Back**

In the period from 1 January 2009 to 23 March 2010 the Company bought back 982,244 convertible notes on-market.

**LIST OF INTERESTS  
 AS AT 31 MARCH 2010**

**USA**

**Wells**

<u>Project</u>	<u>State</u>	<u>County</u>	<u>Wells</u>	<u>Working Interest</u>
Oyster Creek	TX	Brazoria	Harrison-1	75.0%
			Harrison-2	75.0%
			Scott-2	67.5%
Yellow Rose	TX	McMullen	Frances Dilworth 2H	75.0%

**Exploration Leases**

<u>Project</u>	<u>State</u>	<u>County</u>
Yellow Rose	TX	McMullen
Oyster Creek	TX	Brazoria
Bluebonnet	TX	McMullen

**ANNUAL GENERAL MEETING**

The Annual General Meeting of Antares Energy Limited will be held at 3pm on Wednesday 26<sup>th</sup> May 2010 at Level 31 Allendale Square, 77 St Georges Terrace, Perth, Western Australia 6000.