2010 ANNUAL REPORT

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2010

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

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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

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ANNUAL GENERAL MEETING

The Annual General Meeting of Antares Energy Limited will be held at 3pm on Wednesday 25th May 2011at Level 31 Allendale Square, 77 St Georges Terrace, Perth, Western Australia 6000.

CHAIRMAN'S LETTER

Antares has had a very successful year and is proud to report a Net Profit after income tax of $75,379,000.

This achievement completes the current management's first operational goal of 'saving the ship' by taking the company from the brink of insolvency on the 1st July 2008 to the most secure financial position in this entity's history. Management is now well underway with the second operational goal of achieving significant growth targets for shareholders over the next three years. Management is committed and now financially well equipped to achieve its self imposed commitment to shareholders of realising a share price of $1.00 by 31st December 2011, $1.50 by 31st December 2012 and $2.00 by 31st December 2013.

Antares this year negotiated and closed the sale of the Yellow Rose and Bluebonnet projects to one of the world's leading oil and gas companies with a market capitalisation in excess of 20 billion USD for a sale price of 200,000,000 USD. This transaction was priced as a cash sale rather than a joint venture transaction and achieved a premium of 35% over comparable transactions. The singular focus throughout the life of each of these projects was to create shareholder value and management has proven it has all the required skills to achieve outcomes of this calibre.

In achieving the above, Antares raised capital during the year in the amount of $31,500,000 represented by the issue of 50,500,000 shares at an average price in excess of 62 cents. Post the projects sale announcement, Antares initiated a share buy back which has now bought back and cancelled 20,500,000 shares at an average price of less than 40 cents. Antares' capital management has resulted in the company having the use of in excess of $12,500,000 at no cost and upon buying back and cancelling the stock a gain in excess of $4,500,000. Antares will continue its capital management inclusive of the share buy back for the ongoing wealth creation of all shareholders. Antares has developed a well earned reputation of issuing shares at a premium to market, however does not currently see the need to issue any further shares during the next three years of growth.

I would like to thank those who have been shareholders of Antares during the last two and a half years for your support and confidence in the Board of Directors and current management of the company. The success achieved during this period has built the foundation for the next three years of company growth. The Board of Directors and I are excited by the opportunity for the creation of shareholder wealth through the repeatability of Antares' success.

J. A. CRUICKSHANK
Chairman
31 March 2011

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 2010.

1. DIRECTORS

The directors in office at any time during the year to 31 December 2010 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, Managing Director and Chief Executive Officer

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

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 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

Mr Shoemaker has over 30 years experience in 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 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

Mrs McAppion has over 20 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

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.

COMPANY SECRETARY

Vicky McAppion

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	9,400,000	3,666,667
G.D. Shoemaker	704,665	1,500,000
M.D. Gentry	1,800,000	1,500,000
V.A.McAppion	190,726	1,500,000
M.G. Clohessy	2,715,000	500,000

During the year to 31 December 2010 fourteen 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	14	14	3	3	2	2
G.D. Shoemaker	14	13	-	-	-	-
M.D. Gentry	14	13	-	-	-	-
M G Clohessy	14	14	3	3	2	2
V A McAppion	14	14	-	-	-	-

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 Consolidated Entity during the financial year were hydrocarbon production and exploration in the United States of America.

3. FINANCIAL RESULTS

The net profit after income tax of the Consolidated Entity for the year ended 31 December 2010 was $75.379 million (2009: loss of $3.195 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 2010 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 2010 and to the date of this report no options have been issued. 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.

As at 31 December 2010 our estimated total proved and probable reserves were approximately 1,435,000 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.

Operating Results for the Period

	Year ended 31 December 2010	Year ended 31 December 2009
Production (BCFe)	0.6	0.4
Production ('000 BOE)	63	60
Sales revenue ($mil.)	3.859	3.373
Overall net profit/(loss) after tax ($mil.)	75.379	(3.195)
Operating cashflow ($mil.)	2.051	0.627

Antares maintained its focus on the development of its onshore Texas oil and gas interests for the creation of shareholder wealth.

Antares negotiated the sale of its Yellow Rose and Bluebonnet assets. The purchaser, one of the world's leading oil and gas companies with a market capitalisation in excess of 20 billion USD, agreed to acquire 100% of the 23,180 net oil and natural gas leasehold acres in McMullen County, Texas covering the two projects. The sale price of 200,000,000 USD reflected this transaction being priced as a cash sale rather than a joint venture transaction and achieved a premium of 35% over comparable transactions.

Additionally, Antares has a back-in after payout on a well by well basis in 8,938 acres in the Hawkville Field area. Over 110 wells will be needed to fully develop this acreage on 80 acre spacing. The Hawkville Field extends though LaSalle, McMullen and Live Oak Counties and represents over 220,000 acres of the highest quality Eagle Ford shale acreage. The Donnell 457 No. 1H being the first well drilled in the Eagle Ford Shale Term Assignment has continued to be a strong, consistent producer. In the first ninety days on production the well produced in excess of 42,000 Bo and 300,000 Mcf (92,000 Boe) which equates to an average daily rate of approximately 1,025 Boe/d. The enhanced revenue generation due to the high liquids content ensures quicker payout on a well by well basis.

Antares' Oyster Creek project in Brazoria County, Texas has continued to produce successfully though its Harrison No 2 well, which has now produced approximately 300,000 Boe. During the year much work was completed in preparation of the drilling of Harrison No 3 in 2011.

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 2010 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 2010 to be as follows:

	Net Reserves		Future Net Cash Flow*	
Category	**Oil (Barrels)**	**Gas (Thousand Cubic Feet (Mcf))**	**Total (USD)**	**Present Worth at 10% (USD)**
Proved Developed				
Producing (PDP)	99,970	471,370	9,344,590	7,032,750
Non-Producing (PDNP)	4,700	706,510	3,592,120	1,971,090
Proved Undeveloped	187,950	1,111,410	16,387,910	7,371,980
Total Proved (1P)	**292,620**	**2,289,290**	**29,324,620**	**16,375,820**
Probable	308,330	2,713,420	31,481,650	12,208,560
Proved and Probable (2P)	**600,950**	**5,002,710**	**60,806,270**	**28,584,380**
Possible	157,520	2,242,550	21,453,100	12,208,060
Proved, Probable and Possible (3P)	**758,470**	**7,245,260**	**82,259,370**	**40,792,440**

* Basic assumptions are:

(i) Summarised 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 31 December 2010 have been calculated using commodity prices of $85/bo and $5/mcf.

(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.

	12 months to 31 Dec 2010	12 months to 31 Dec 2009	12 months to 31 Dec 2008	12 months to 31 Dec 2007	6 months to 31 Dec 2006
Sales revenue ($'million)	3.859	3.373	8.100	2.974	1.199
Net profit/(loss) after tax ($'million)	75.379	(3.195)	0.601	(37.386)	(2.896)
Basic earnings/(loss) per share (cents)	23.5	(1.6)	0.4	(23.6)	(1.8)
Closing period end share price ($)	0.41	0.61	0.05	0.44	0.71

Notes:
1. No dividends were paid at any time over the last five years.
2. In the 12 months to 31 December 2010, the Company bought back 13,030,887shares on-market at an average price of $0.405. 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 hydrocarbons onshore, Texas, USA. The company has an operational office in Dallas, Texas and a 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 and performance rights awarded as partof their remuneration package.

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 and executive directors 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. Cash bonuses totaling $2,437,222 were granted at the discretion of the board during 2010 and were paid in full by 31 December 2010.

Performance Rights

Any performance rights granted are issued under the Performance Rights Plan as approved by shareholders at the annual general meeting held in 2004 and in 2010. The Board formulated the Performance Rights Plan to align the long-term creation of value for shareholders with rewards to participants.

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, 4, 5 and 6 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 2010 there were five series of performance rights on issue – Series 2 – 6.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 capitalisation 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 shareholder 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.

Series 6
The Series 6 performance periods commenced in 2010 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2011, 2012 and 2013.
These performance rights were granted on 26 May 2010 with a first exercise date of approximately 31 March 2012 and a last exercise date of 1 July 2015. The fair value per right at the date of grant was $0.37.

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 not 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 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 not 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) - based on % increase in EBITDAX on a year on year comparison 10%

% 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.

Total Series 2 **100%**

Series 3and4

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

In relation to the third tranche of rights, for year ended, 31 December 2010, the 5 day VWAP of the Company was $0.4035 and therefore this condition has not been met and the performance rights lapsed.

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 2010the 5 day VWAP of the Company was $0.4035 and therefore this condition has been met 100%.

Series 6

Performance period	*Minimum price (cents) for which the following % of rights vest*		
	30%	*60%*	*100%*
31 December 2011	$1.00	$1.00	$1.00
31 December 2012	$1.25	$1.40	$1.50
31 December 2013	$1.75	$1.85	$2.00

The time for the relevant hurdles to be assessed has not yet passed.

Performance Rights granted, vested and lapsed during the period

2010	Grant date	First Exercise Date	Last Exercise Date	Granted	Vested Number	Vested %	Lapsed Number	Lapsed %
Directors								
J.A. Cruickshank	2 Jul 2007	31 Mar 2009	2 Jul 2012		120,000	15.00	146,666	18.33
	4 Nov 2008	31 Mar 2009	4 Nov 2013		-	-	333,334	33.34
	8 Oct 2009	31 Mar 2010	8 Oct 2014		666,667	33.33	-	-
	26 May 2010	31 Mar 2012	01 Jul 2015	3,000,000	-	-	-	-
M G. Gentry	31 Oct 2007	31 Mar 2009	31 Oct 2012		75,000	15.00	91,666	18.33
	7 May 2008	31 Mar 2009	7 May 2013		-	-	333,334	33.33
	4 Nov 2008	31 Mar 2009	4 Nov 2013		-	-	83,334	33.33
	26 May 2010	31 Mar 2012	01 Jul 2015	1,500,000	-	-	-	-
G.D. Shoemaker	2 Jul 2007	31 Mar 2009	2 Jul 2012		105,000	15.00	128,334	18.33
	7 May 2008	31 Mar 2009	7 May 2013		-	-	333,334	33.33
	4 Nov 2008	31 Mar 2009	4 Nov 2013		-	-	83,334	33.33
	26 May 2010	31 Mar 2012	01 Jul 2015	1,500,000	-	-	-	-
M.G. Clohessy	26 May 2010	31 Mar 2012	01 Jul 2015	500,000	-	-	-	-
V.A McAppion	2 Jul 2007	31 Mar 2009	2 Jul 2012		7,500	15.00	9,166	18.33
	7 May 2008	31 Mar 2009	7 May 2013		-	-	83,334	33.33
	4 Nov 2008	31 Mar 2009	4 Nov 2013		-	-	66,666	33.33
	26 May 2010	31 Mar 2012	01 Jul 2015	1,000,000	-	-	-	-
Total:				7,500,000	974,167		1,692,502	

Performance Rights granted, vested and lapsed during the period

2009	Grant date	First Exercise Date	Last Exercise Date	Granted	Vested Number	Vested %	Lapsed Number	Lapsed %
Directors								
J.A. Cruickshank	2 Jul 2007	31 Mar 2009	2 Jul 2012		173,334	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	666,666	33.33	-	
M G. Gentry	31 Oct 2007	31 Mar 2009	31 Oct 2012		108,334	21.66	58,333	11.67
	7 May 2008	31 Mar 2009	7 May 2013		333,333	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		151,666	21.66	81,667	11.67
	7 May 2008	31 Mar 2009	7 May 2013		333,333	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		10,834	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	-	
Total:				2,000,000	2,427,499		239,166	

Shares issued on the exercise of vested performance rights

	Number of Shares Issued 2010	2009
Directors		
J.A. Cruickshank	1,173,333	106,667
M.D. Gentry	525,000	66,667
G.D. Shoemaker	568,332	93,333
V.A.McAppion	160,834	6,667
Total:	2,427,499	273,334

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
2010				
Directors				
J.A. Cruickshank	1,112,300	674,666	193,680	18.4%
G.D. Shoemaker	556,150	326,791	219,908	16.2%
M.D. Gentry	556,150	301,875	205,113	15.4%
V.A.McAppion	370,767	92,480	64,223	47.9%
M.G. Clohessy	185,383	-	-	16.7%
2009				
Directors				
J.A. Cruickshank	360,000	23,467	56,933	32.8%
G.D. Shoemaker	-	20,533	49,817	-
M.D. Gentry	-	14,667	35,583	-
V.A.McAppion	-	1,467	3,558	-

* 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, 3 & 4.

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 granted during the year ended 31 December 2010.

As of the date of this report, no options have been granted or exercised, since 31 December 2010.666,666 options lapsed on 16 January 2010. There were no shares issued on the exercising of options in the periods to 31 December 2010.

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
In accordance with generally acceptable work practices in the United States, medical insurance is provided to those employees who are based in the United States. In addition, car parking is provided to employees.

Employment contracts
It is the Consolidated Entity's policy that employment agreements for senior executives are unlimited in term but capable of termination with twelve 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 December2010, 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 appointed 16 October 2009 Managing Director and CEO from 1 July 2008
M.D. 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) – appointed16 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.

	Short-Term			Post Employ-ment	Share-Based Payments	Total	Total Perform-ance Related
Year to 31 Dec 2010	Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Super-annuation $	Performance Rights (v) $	$	
Directors							
J.A. Cruickshank (ii)	628,424	1,038,650	28,334	-	395,561	**2,090,969**	68.6%
G D Shoemaker (iii)	298,868	549,286	28,334	-	181,096	**1,057,584**	69.1%
M G Gentry (iv)	298,869	549,286	9,614	-	160,972	**1,018,741**	69.7%
M G Clohessy	45,872	-	-	4,128	45,992	**95,992**	47.9%
V McAppion	137,615	300,000	9,609	12,620	93,281	**553,125**	71.1%
Total	**1,409,648**	**2,437,222**	**75,891**	**16,748**	**876,902**	**4,816,411**	

(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$520,000 for the year ended 31 December 2010. His salary has been translated to A$565,133 using an average exchange rate of 0.92.

(iii) Mr Shoemakers' salary is paid in US dollars and totalled US$275,000 for the year ended 31 December 2010. His salary has been translated to A$298,869 using an average exchange rate of 0.92.

(iv) Mr Gentry's salary is paid in US dollars and totalled US$275,000 for the year ended 31 December 2010. His salary has been translated to A$298,869 using an average exchange rate of 0.92.

(v) The value of performance rights represents their value at grant date and not at vesting date. Directors may not have received or be entitled to receive performance rights at balance date.

	Short-Term			Term-ination Benefit	Post Employ-ment	Share-Based Payments		Total	Total Perform-ance Related
Year to 31 Dec 2009	Salary & Fees $	Cash Bonus(iv) (v) $	Non Monetary Benefits $	$	Super-annuation $	Option $	Performance Rights $	$	
Directors									
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 (v)	54,775	-	-	-	4,930	(12,831)	-	**46,874**	n/a
W.R.B. Hassell (v)	33,341	-	-	-	3,001	(9,164)	-	**27,178**	n/a
Total	**654,158**	**-**	**37,643**	**-**	**10,531**	**(21,995)**	**316,769**	**997,106**	
Executives									
H. Lennerts	36,000	-	-	-	-	-	-	**36,000**	n/a
Total	**36,000**	**-**	**-**	**-**	**-**	**-**	**-**	**36,000**	

(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 unvested portion of Messrs Elliott's and Hassell's options lapsed on retirement during the 2009 year. The amount in relation to those options expensed in prior years has been written back in 2009.

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 2010 year. Whilst the Company's results and its share price have fluctuated over the past five 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.

	12 months to 31 Dec 2010	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
Sales revenue ($'million)	3.859	3.373	8.100	2.974	1.199	9.156
Net profit/(loss) after tax ($'million)	75.379	(3.195)	0.601	(37.386)	(2.896)	5.547
Basic earnings/(loss) per share (cents)	23.5	(1.6)	0.4	(23.6)	(1.8)	3.5
Closing period end share price ($)	0.41	0.61	0.05	0.44	0.71	0.39

Notes:

1. No dividends were paid at any time over the last five years.
2. In the 12 months to 31 December 2010, the Company bought back 13,030,887 shares on-market at an average price of $0.405. 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 53,570 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.

Performance rights
There are currently 5 series of performance rights available to KMP's being Series 2-6.

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 31December 2010.

	12 months to 31 Dec 2010	12 months to 31 Dec 2009
Market Capitalisation	(16%)	1,532%
Hydrocarbon Production	81%	(32%)
Hydrocarbon Reserves	18%	1,309%
Finding &Development Costs	<US$2.00	<US$2.00
EBITDAX	885%	(72%)
% of available performance rights granted	45%	65%

For Series 3-6 the performance measures driving performance rights payment outcomes is the 5 day VWAP of the company at year end.

	12 months to 31 Dec 2010	12 months to 31 Dec 2009
Share Price	$0.40	$0.61
% of available performance rights granted – Series 3	Nil	100%
% of available performance rights granted – Series 4	Nil	100%
% of available performance rights granted – Series 5	100%	100%
% of available performance rights granted – Series 6 (commences in 2011)	N/A	N/A

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 Company'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 Company'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 2010 were as follows:

An increase in share capital from $77,563,000 to $102,368,106	**$'000**
Opening Balance, 1 January2010	77,563
Issue of 50.5 million shares at $0.62 per share	31,500
On-market buy-back of 13,030,887 fully paid ordinary shares at an average price of $0.405	(5,265)
Share Issue Costs	(1,430)
Closing Balance, 31 December2010	102,368

There have been no ordinary shares issued, between the balance date and the date of this report.
There have been 7,469,113 ordinary shares, bought back or cancelled between the balance date and the date of this report.

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since 31 December 2010 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.

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 13 and forms part of this directors' report for the year ended 31 December2010.

Non-audit services
Local and international tax services to the value of $26,433 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
31March 2011

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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 2010, 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.

Ernst & Young

R J Curtin
Partner
Perth
31 March 2011

RC:VP:ANTARES:015

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
Principle 1:	**Lay solid foundations for management and oversight**		
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.
Principle 2:	**Structure the board to add value**		
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 whomis 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.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**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. Complimenting 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	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	A	
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors	N/A	There is only one non-executive director
	• consists of a majority of independent directors	N/A	As above
	• is chaired by an independent chair, who is not chair of the board	A	
	• has at least three members	N/A	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	
Principle 5:	**Make timely and balanced disclosure**		
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.
Principle 6:	**Respect the rights of shareholders**		
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
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	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. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
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**	
Principle 8:	**Remunerate fairly and responsibly**		
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: • retention and motivation of key executives; • attraction of quality management to the Company; • performance incentives which allow executives to share the rewards of the success of the Company. Refer to the Annual Report and the Corporate Governance section of the Company's website.
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**	

A = Adopted
N/A = Not adopted

Statement of Comprehensive Income
Antares Energy Limited and its Controlled Entities
For the Year Ended 31 December 2010

	Notes	Consolidated 2010 $'000s	2009 $'000
Continuing Operations			
Revenue	3(a)	4,023	3,456
Cost of sales	4(a)	(2,137)	(1,854)
Gross profit		1,886	1,602
Other income	3(b)	856	496
Other expenses	4(b)	(5,605)	(3,129)
Finance costs	4(c)	(1,536)	(2,164)
Loss from continuing operations before income tax		(4,399)	(3,195)
Income tax benefit	5	-	-
Loss from continuing operations after income tax		**(4,399)**	**(3,195)**
Discontinued Operations			
Profit from discontinued operations after income tax	26	79,778	-
Net Profit/(Loss) for the period		**75,379**	**(3,195)**
Other comprehensive loss			
Foreign currency translation		(8,602)	(4,876)
Other comprehensive loss for the period net of tax		(8,602)	(4,876)
Total comprehensive income/(loss) for the period		**66,777**	**(8,071)**

	Notes	2010	2009
Earnings per share (cents per share)			
Earnings from continuing operations:			
Basic earnings/(loss) per share for the period	6	(1.6)	(1.6)
Diluted earnings/(loss) per share for the period	6	(1.6)	(1.6)
Earnings from all operations:			
Basic earnings/(loss) per share for the period	6	23.5	(1.6)
Diluted earnings/(loss) per share for the period	6	23.5	(1.6)

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 2010

	Notes	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	77,443	1,663
Trade and other receivables	8	58,682	524
Prepayments	9	76	1,648
Total current assets		**136,201**	**3,835**
NON-CURRENT ASSETS			
Property, plant and equipment	10	186	16
Oil and gas properties	11	1,904	10,044
Deferred exploration and evaluation expenditure	12	212	12,146
Total non-current assets		**2,302**	**22,206**
TOTAL ASSETS		**138,503**	**26,041**
CURRENT LIABILITIES			
Trade and other payables	14	2,688	562
Provisions	16	232	297
Total current liabilities		**2,920**	**859**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	14,922	14,885
Deferred tax liabilities		17,773	-
Provisions	16	192	127
Total non-current liabilities		**32,887**	**15,012**
TOTAL LIABILITIES		**35,807**	**15,871**
NET ASSETS		**102,696**	**10,170**
EQUITY			
Contributed equity	17	102,368	77,563
Reserves		(8,181)	(523)
Retained profits/(accumulated losses)		8,509	(66,870)
TOTAL EQUITY		**102,696**	**10,170**

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 2010

CONSOLIDATED

	Ordinary Share Capital $'000	Retained Profits / (Accumulated Losses) $'000	Foreign Currency Reserve $'000	Convertible Note Premium Reserve $'000	Share Option Reserve $'000	Total $'000
Balance at 1 January 2009	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)
Total comprehensive income for the period	-	(3,195)	(4,876)	-	-	(8,071)
Transactions with owners in their capacity as owners:						
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
Balance at 31 December 2009	**77,563**	**(66,870)**	**(5,285)**	**1,755**	**3,007**	**10,170**

Balance at 1 January 2010	77,563	(66,870)	(5,285)	1,755	3,007	10,170
Profit for the period	-	75,379	-	-	-	75,379
Other comprehensive loss	-	-	(8,602)	-	-	(8,602)
Total comprehensive income for the period	-	75,379	(8,602)	-	-	66,777
Transactions with owners in their capacity as owners:						
Issue of shares	31,500	-	-	-	-	31,500
Share issue costs	(1,430)	-	-	-	-	(1,430)
Shares bought back	(5,265)	-	-	-	-	(5,265)
Share based payments	-	-	-	-	944	944
Balance at 31 December 2010	**102,368**	**8,509**	**(13,887)**	**1,755**	**3,951**	**102,696**

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 2010

	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers		6,777	4,008
Payments to suppliers and employees		(3,396)	(1,620)
Interest received		170	80
Interest paid		(1,500)	(1,841)
Net cash inflows from operating activities	7	**2,051**	**627**
Cash flows from investing activities			
Proceeds from sale of oil and gas properties		98,935	-
Payments for property, plant and equipment		(229)	(1)
Exploration, evaluation and development expenditure		(51,230)	(15,153)
Net cash inflows / (outflows) from investing activities		**47,476**	**(15,154)**
Cash flows from financing activities			
Proceeds from issue of shares		31,500	15,310
Payments of share issue costs		(1,430)	-
Payments for share buy-back		(3,197)	-
Advances to related party		(590)	-
Payment for convertible notes redeemed and bought back on market		-	(3,842)
Net cash inflows from financing activities		**26,283**	**11,468**
Net increase/(decrease) in cash and cash equivalents held		**75,810**	**(3,059)**
Cash and cash equivalents at the beginning of the period		1,663	5,585
Effects of exchange rate changes on cash		(30)	(863)
Cash and cash equivalents at the end of the period	7	**77,443**	**1,663**

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 2010 was authorised for issue in accordance with a resolution of the Directors on 31 March 2011.

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 of the previous financial year except as follows:

The Group has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2010:

- AASB 2009-8 *Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payments Transactions [AASB 2]* effective 1 January 2010
- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]* effective 1 January 2010
- AASB 3 *Business Combinations (revised 2008)* effective 1 July 2009
- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* effective 1 July 2009
- AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009
- *AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1 & AASB 5]* effective 1 July 2009
- *AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

AASB 3 *Business Combinations (revised 2008)* and AASB 127 *Consolidated and Separate Financial Statements (revised 2008)*
AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisition, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests.

The change in accounting policy was applied prospectively and has had no impact on 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 2010:

Reference	Title	Summary	Application date of standard*	Application date for Group*
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	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement). These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below. (a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria. (b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.	1 January 2013	1 January 2013
AASB 2009-11	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]	These amendments arise from the issuance of AASB 9 Financial Instruments that sets out requirements for the classification and measurement of financial assets. The requirements in AASB 9 form part of the first phase of the International Accounting Standards Board's project to replace IAS 39 Financial Instruments: Recognition and Measurement. This Standard shall be applied when AASB 9 is applied.	1 January 2013	1 January 2013

NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 124 (Revised)	Related Party Disclosures (December 2009)	The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including: (a) The definition now identifies a subsidiary and an associate with the same investor as related parties of each other. (b) Entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other. (c) The definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.	1 January 2011	1 January 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASB 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB.	1 January 2011	1 January 2011
AASB 2009-14	Amendments to Australian Interpretation-Prepayments of a Minimum Funding Requirement	These amendments arise from the issuance of Prepayments of a Minimum Funding Requirement (Amendments to IFRIC 14). The requirements of IFRIC 14 meant that some entities that were subject to minimum funding requirements could not treat any surplus in a defined benefit pension plan as an economic benefit. The amendment requires entities to treat the benefit of such an early payment as a pension asset. Subsequently, the remaining surplus in the plan, if any, is subject to the same analysis as if no prepayment had been made.	1 January 2011	1 January 2011
AASB 2010-1	Amendments to Australian Accounting Standards- Limited Exemption from Comparative AASB 7 Disclosures for First-time Adopters	First-time adopters of Australian Accounting Standards are permitted to use the same transition provisions permitted for existing preparers of financial statements prepared in accordance with Australian Accounting Standards that are included in AASB 2009-2.	1 July 2010	1 January 2011

NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards. (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) For-profit entities in the private sector that have public accountability (as defined in this Standard). (b) The Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) For-profit private sector entities that do not have public accountability. (b) All not-for-profit private sector entities. (c) Public sector entities other than the Australian Government and State, Territory and Local Governments.	1 July 2013	1 January 2014
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, 7, 121, 128, 131, 132 & 139]	Limits the scope of the measurement choices of non-controlling interest to instruments that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), in a consistent manner i.e., allocate between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Clarifies that the revised accounting for loss of significant influence or joint control (from the issue of IFRS 3 Revised) is only applicable prospectively.	1 July 2010	1 January 2011

NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, 7, 101, 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in that statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions. Clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	1 January 2011	1 January 2011
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The interpretation states that equity instruments issued as payment of a debt should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.	1 July 2010	1 January 2011
AASB 2010-5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the IASB. These amendments have no major impact on the requirements of the amended pronouncements.	1 January 2011	1 January 2011
AASB 2010-6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & 7]	The amendments increase the disclosure requirements for transactions involving transfers of financial assets. Disclosures require enhancements to the existing disclosures in IFRS 7 where an asset is transferred but is not derecognized and introduce new disclosures for assets that are derecognized but the entity continues to have a continuing exposure to the asset after the sale.	1 July 2011	1 January 2012

NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
[The AASB has not yet issued this amendment finalised by the IASB in November 2010]	Amendments to IFRS 9: Fair Value Option for Financial Liabilities	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: ➢ The change attributable to changes in credit risk are presented in other comprehensive income. ➢ The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 January 2013	1 January 2013

* 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 Consolidated Entity 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 2010 ("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

Property, 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 profit or loss during the financial period in which they are incurred.

Depreciation
Property, 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:

Category	Method
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 property, 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 property, plant and equipment, impairment losses are recognised in profit or loss.

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 profit or loss 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 Statement of Cash Flows, 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 finance costs.

(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 due 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 profit or loss 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 date.

Deferred income tax is provided on all temporary differences at the balance 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 utilised; 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 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 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 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 Consolidated Entityhas 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 Consolidated Entity. 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 Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows 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 Statement of Financial Position, net of issue costs. The residual amount is recognised as equity in the Statement of Financial Position. 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

Interests in jointly controlled assets are reported in the financial statements by including the consolidated entity's share of assets employed in the Joint Ventures, the share of liabilities incurred in relation to the Joint Ventures and the share of any expenses and revenues in relation to the Joint Ventures in their respective categories.

(u) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Consolidated Entity. 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 date and their profit or loss is 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 statement of comprehensive income.

(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 is currently one form of share based remuneration in place.

NOTE 1 BASIS OF PREPARATION (Cont.)

- Performance rights granted under the Performance Rights Plan to participants.

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 profit or loss 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) 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 profit or loss.

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. During the year ended 31 December 2010 some exploration and evaluation expenditure was impaired on the basis that the consolidated entity determined that there were not economically recoverable reserves identified.

The carrying value of all oil and gas properties as at 31 December 2010 was $1,904,000 (31 December 2009: $10,044,000).

Share-based payment transactions
The Consolidated Entity 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).

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 Consolidated Entity'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 Consolidated Entityas a whole.

The Consolidated Entity derives its revenue primarily from the sale of oil and gas produced in the USA. During the years ended 31 December 2010 and 31 December 2009 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	
	2010 $'000	2009 $'000
Analysis of external sales:		
Oil	5,461	1,961
Gas	1,335	1,412
	6,796	3,373
Geographical split of non-current assets:		
USA	2,302	22,206
Australia	-	-
	2,302	22,206

NOTE 3 REVENUE AND OTHER INCOME

	Consolidated	
	2010 $'000	2009 $'000
(a) Revenue		
Sale of product	3,859	3,373
Interest revenue	164	83
	4,023	3,456
(b) Other Income		
Gain on buy-back of convertible notes	-	175
Gain on disposal of interest in leases[i]	856	-
Other	-	321
	856	496

Note
On 31 January 2010 the West Wharton project was sold for total consideration of USD$1,175,000, resulting in a gain on disposal of AUD$855,825.

NOTE 4 EXPENSES AND LOSSES/(GAINS)

Expenses	Consolidated	
	2010 $'000	2009 $'000
(a) Cost of sales:		
Depreciation and amortisation expenses	1,596	1,206
Other production costs	541	648
Total cost of goods sold	2,137	1,854
(b) Other expenses:		
Operating lease payments	112	69
General and administrative expenses	1,827	1,092
Foreign exchange loss	102	7
Impairment of oil & gas properties (note 11)	231	-
Exploration expenditure written off (note 12)	1,617	1,576
	3,889	2,744
Wages and salaries	772	86
Share based payments	944	294
Other	-	5
Total employee benefits	1,716	385
Total other expenses	5,605	3,129

	Consolidated	
	2010 $'000	2009 $'000
(c) Finance costs:		
Convertible notes interest paid/payable	1,500	2,163
Unwinding of present value discount	36	1
	1,536	2,164

NOTE 5 INCOME TAX

	Consolidated 2010 $'000	Consolidated 2009 $'000
The major components of income tax expense are:		
Income Statement		
Current Income Tax		
Current income tax charge	-	-
Deferred Income Tax		
Relating to origination and reversal of timing differences	32,740	-
Adjustments in respect of current income tax of previous years	-	-
Previously unrecognised deferred tax asset now brought to account	(14,967)	-
Deferred tax asset not brought to account	-	-
	17,773	-
Income tax expense is attributable to:		
Loss from continuing operations	-	-
Profit from discontinued operations	17,773	-
	17,773	-

(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:

	2010 $'000	2009 $'000
Accounting loss from continuing operations before income tax	(4,399)	(3,195)
Accounting profit from discontinuing operations before income tax	97,551	-
	93,152	(3,195)
At Group's statutory income tax rate of 30%	27,945	(959)
Adjustments in respect of current year income tax:		
- Sale of Bluebonnet and Yellow Rose projects	(137)	-
- Share based payments	283	88
- Impact of foreign jurisdiction tax rate	4,637	221
- Other	12	-
- Deferred tax asset not brought to account	-	650
- Previously unrecognised deferred tax asset now brought to account	(14,967)	-
Income tax (benefit) / expense	17,773	-

Deferred tax balances CONSOLIDATED	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
12 months to 31 December 2010				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	931	(931)	-	-
Provisions	149	(75)	-	74
Capital raising costs	263	266	-	529
Exploration and development expenditure	1,679	542	-	2,221
Convertible Notes	1	(1)		-
Losses available for offset against future taxable income (USA)	13,249	-	-	13,249
Losses available for offset against future taxable income (Australian)	9,084	(329)	-	8,755
Deferred tax liabilities				
Property, plant and equipment	-	(27)	-	(27)
Deferred tax gain	-	(32,185)	-	(32,185)
Less Unrecognised Net Deferred Tax Assets	(25,356)	14,967	-	(10,389)
	-	(17,773)	-	(17,773)
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)
	-	-	-	-

NOTE 5 INCOME TAX (CONT).

	Consolidated 31 December 2010 $'000	31 December 2009 $'000
Unrecognised deferred tax balances		
The following deferred tax assets have not been brought to account as follows:		
Tax losses - revenue (Australian)	8,755	9,084
Tax losses (US)	-	13,249
Temporary difference – exploration and development expenditure	1,031	1,679
Temporary differences – capital raising costs	529	263
Temporary differences – convertible note (equity)	-	1
Temporary differences – provisions	74	149
Temporary difference – provision for diminution net of foreign exchange	-	931
	10,389	25,356

The deferred tax assets will only be obtained if:
i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
ii) The conditions for deductibility imposed by tax legislation continue to be complied with; and
iii) 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 2010.

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.

The following reflects the income and share data used in the basic and diluted earnings per share computations:	Consolidated 2010 $'000	2009 $'000
Net profit/(loss) attributable to ordinary equity holders of the parent (used in calculating basic and diluted loss per share)	75,359	(3,195)
	2010 Thousands	**2009 Thousands**
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	283,830	203,309

In order for outstanding performance rights and convertible notes to be considered dilutive, they are required to be dilutive to the continuing operations of the Consolidated Entity.

a) Performance rights
None of the unvested 8,166,667 performance rights outstanding at 31 December 2010 have been included in the calculation of diluted earnings per share because the vesting conditions have not been met. These performance rights could potentially dilute earnings per share in the future. For details of these performance rights refer to note 13.
b) Convertible notes
None of the convertible notes outstanding at 31 December 2010 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.

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
Cash at bank and on hand	4,438	463
Short term deposits	-	1,200
Promissory note	73,005	-
	77,443	1,663

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.

The promissory note was non-interest bearing and due and payable on 15 January 2011.

	Consolidated 2010 $'000	Consolidated 2009 $'000
Reconciliation of net profit/(loss) after tax to net cashflows		
Net profit/(loss)	75,379	(3,195)
Non-cash Items and other adjustments:		
Income tax expense	17,773	-
Depreciation and amortisation	3,449	1,269
Exploration expenditure written off	1,617	1,576
Impairment of oil and gas properties	231	-
Implicit interest on convertible notes	-	389
Share based payments – employee benefits	944	294
Gain on buy-back of convertible notes	-	(175)
Gain on disposal of interest in leases	(97,678)	-
Unwinding of the effect of discounting on provisions	37	1
Foreign exchange movement	101	7
Change in operating assets and liabilities:		
(Increase)/decrease in receivables and prepayments	(3)	288
Increase in creditors and payables	37	78
Increase in provisions	164	95
Net cash provided by operating activities	2,051	627

		Consolidated	
		2010	2009
		$'000	$'000
NOTE 8	**TRADE AND OTHER RECEIVABLES**		
	Current		
	Trade receivables (i)	442	479
	Other receivables (ii)	14	45
	Promissory note (iii)	57,636	-
	Loan to related party	590	-
		58,682	524

(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) The promissory note is non-interest bearing and due and payable on 15 December 2011. There is no history of default with regard to the issuer of the promissory note and the consolidated entity does not believe that there are any indicators that the promissory note is impaired.

		2010 $'000	2009 $'000
NOTE 9	**PREPAYMENTS (CURRENT)**		
	Prepayment to joint venture operator	-	1,634
	Prepayments	76	14
		76	1,648

		2010 $'000	2009 $'000
NOTE 10	**PROPERTY, PLANT AND EQUIPMENT**		
	Office equipment - cost	827	639
	Accumulated depreciation	(641)	(623)
	Total Property, Plant and Equipment	186	16

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

	2010 $'000	2009 $'000
Office equipment, vehicles and furniture		
Balance at start of period	16	87
Additions	229	1
Exchange differences from translation	(2)	(8)
Disposals - at cost	-	(49)
Depreciation	(57)	(63)
Disposals - accumulated depreciation	-	48
Balance at end of period	186	16

NOTE 11 OIL AND GAS PROPERTIES

	Consolidated 31 December 2010 $'000	31 December 2009 $'000
Oil and gas properties		
- at cost	4,005	13,591
- accumulated amortisation	(2,101)	(3,547)
	1,904	10,044

Reconciliation
Reconciliation of carrying amounts of oil and gas properties at the beginning and end of the current financial year:

	31 December 2010 $'000	31 December 2009 $'000
At Cost		
Balance at start of period	13,591	9,355
Additions	-	5,185
Disposal on sale of assets	(29,331)	-
Impairment*	(231)	-
Transfer from exploration and evaluation	23,469	2,019
Foreign exchange translation	(3,493)	(2,968)
Balance at end of period	4,005	13,591
Accumulated amortisation		
Balance at start of period	(3,547)	(3,179)
Amortisation	(3,392)	(1,206)
Disposal on sale of interest in leases	4,601	-
Foreign exchange translation	237	838
Balance at end of period	(2,101)	(3,547)

*The impairment loss represents the write-down of certain oil and gas properties in the USA to their recoverable amount. This has been recognised through profit or loss 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.

NOTE 12 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated 31 December 2010 $'000	31 December 2009 $'000
Exploration and evaluation costs carried forward in respect of areas of interest:		
Exploration and/or evaluation phase	212	12,146

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.

Reconciliation
Reconciliation of carrying amounts of exploration and evaluation expenditure at the beginning and end of the current financial year:

	31 December 2010 $'000	31 December 2009 $'000
Balance at start of period	12,146	7,334
Additions	52,214	10,914
Disposal on sale of assets	(35,019)	-
Transferred to oil and gas properties	(23,469)	(2,019)
Expenditure written off*	(1,617)	(1,576)
Foreign exchange translation	(4,043)	(2,507)
Balance at end of period	212	12,146

* 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 2010 year related to the New Taiton, Shaeffer Ranch, Jean H Freeborn #1 and Harrison #1 wells.

NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS

Share options

The parent entity has not granted any options during 2010. At balance date there were no options outstanding. The following options, which were issued at no cost, remained to be exercised at 31 December 2009:

31 December	Date of Grant	Date of Expiry	Note	$0.99 Options
2009	8 May 2007	8 May 2011	13(b)	666,666
				666,666

There are no options outstanding at 31 December 2010, the weighted average remaining contractual life for the share options outstanding as at 31 December 2009 was 0.5 months.

The exercise price for options outstanding at 31 December 2009 was $0.99.

During the year ended 31 December 2010:

(i) 666,666 $0.99 options expired.

(ii) 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 2010 or the year to 31 December 2009.

NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (continued)

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

	31 December 2010		**31 December 2009**	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period (i)	666,666	$0.99	2,000,000	$0.62
- granted	-		-	
- lapsed	-		(1,333,334)	$0.99
- expired	(666,666)	$0.99	-	
- exercised	-		-	
Balance at end of period (i)	-	-	666,666	$0.99
Exercisable at end of period (i.e. vested)	-	-	666,666	$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 2010	Number of Options 31 December 2009
8 May 2007	8 May 2011	$0.99	-	666,666
			-	666,666

The fair value of each option is estimated on the date of grant using Black-Scholes methodology. The options granted on 8 May 2007 had a fair value of $0.33 on that date. The options have a term of 3 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
Dividend yield	0%
Expected volatility	50%
Risk-free interest rate	6.1%
Expected life of the right	4 years
Spot price on grant date	$0.825
Fair value at grant date	$0.33

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 2010, $nil (2009: $56,816) has expensed in the financial statements in respect of options. Additionally, during the year to 31 December 2010 a credit of $nil (2009: $78,811) was recognised on the forfeited unvested options that had previously been expensed. This is disclosed in note 4 as part of overall share-based payments of $944,807 (2009: $294,000).

NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

Performance Rights

At the Company's annual general meeting in 2004 and again in 2010, shareholders approved Performance Rights Plans. Under the plans 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 2010 there were five series of performance rights on issue – Series 2-6.

Series 2

The Series 2 performance periods commenced on 1 January 2009 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:	Hurdle Weighting	
	Series 1	Series 2
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%
	100%	100%

Series 3, 4 and 5

The Series 3 and 4 performance periods commenced in 2009 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 2010 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	*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

The hurdles for Series 5 is set as follows:

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

Series 6

The Series 6 performance periods commences in 2011 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2011, 2012 and 2013.

In the year to 31 December 2010, 7,500,000 series 6 performance rights were granted to employees including directors.

NOTE 13 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

The hurdles for Series 6 is set as follows:

Performance period	*Minimum price (cents) for which the following % of rights vest* 30%	60%	100%
31 December 2011	$1.00	$1.00	$1.00
31 December 2012	$1.25	$1.40	$1.50
31 December 2013	$1.75	$1.85	$2.00

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
31 December 2010	2 July 2007	2 July 2012	2	-	232,500	232,500
	31 October 2007	31 October 2012	2	-	75,000	75,000
	7 May 2008	7 May 2013	3	-	-	-
	4 November 2008	4 November 2013	4	-	-	-
	8 October 2009	8 October 2014	5	666,667	666,667	1,333,334
	26 May 2010	1 July 2015	6	7,500,000	-	7,500,000
				8,166,667	974,167	9,140,834

	Date of Grant	Date of Expiry	Series	Number of Rights Unvested	Vested	Total
31 December 2009	2 July 2007	2 July 2012	2	516,667	335,834	852,500
	31 October 2007	31 October 2012	2	166,667	108,334	275,000
	7 May 2008	7 May 2013	3	749,999	749,999	1,500,001
	4 November 2008	4 November 2013	4	566,666	566,666	1,133,334
	8 October 2009	8 October 2014	5	1,333,334	666,666	2,000,000
				3,333,335	2,427,499	5,760,835

The weighted average remaining contractual life of the rights on issue at 31 December 2010 is 45 months (2009: 49 months).

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

	31 December 2010	31 December 2009
Balance at beginning of period	5,760,835	4,273,335
- granted	7,500,000	2,000,000
- lapsed	(1,692,502)	(239,166)
- exercised*	(2,427,499)	(273,334)
Balance at end of period	9,140,834	5,760,835
Exercisable at end of period (i.e. vested)	974,167	2,427,499

*The weighted average share price on the day of issue of new shares as a result of exercising was $0.575 (2009: $0.22).

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 2010**	**31 December 2009**
26 May 2010	1 July 2015	6	$0.37	7,500,000	-
8 October 2009	8 October 2014	5	$0.18	-	2,000,000
				7,500,000	2,000,000

These rights are not quoted on ASX.

The Performance Rights Plan Rules are available on the Company's web site at 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 $0.37 (2009: $0.18). The weighted average assumptions used for the grants made are as follows:

	Date of Grant	
	8 October 09	26 May 2010
Dividend yield	0%	0%
Expected volatility	92%	91%
Risk-free interest rate	5.258%	4.95%
Expected life of the right	5.0 years	5.0years
Spot price on grant date	$0.245	$0.60

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 2010 $944,807 (2009: $316,769) was expensed in the financial statements and disclosed in note 4 as part of share based payments of $944,807 (2009: $294,000).

	Consolidated	
	31 December 2010 $'000	31 December 2009 $'000
NOTE 14 TRADE AND OTHER PAYABLES (CURRENT)		
Trade creditors and accruals	2,688	562

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.

NOTE 15 INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
Convertible notes		
Non-Current	14,922	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 2009 year 982,244 convertible notes were bought back on market for $1.789 million.

As at 31 December 2010 there was a total of 7,500,000 notes on issue (2009: 7,500,000). 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.

NOTE 16 PROVISIONS

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
Current		
Employee leave benefits	208	150
Restoration	24	147
	232	297
Non Current		
Employee leave benefits	142	36
Restoration	50	91
	192	127
Reconciliation of movements in restoration provision		
Balance at start of period	238	387
Additions during period	-	5
Unwinding of present value discount	36	1
Expenditure	-	-
Foreign exchange movements	(200)	(155)
Balance at end of period	74	238

NOTE 17 CONTRIBUTED EQUITY

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
Issued and paid up capital:		
Fully paid ordinary shares	102,368	77,563

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 2010		12 months to 31 December 2009	
	No. of shares	$'000	No. of shares	$'000
Movement in ordinary shares on issue:				
Beginning of the period	246,405,611	77,563	184,242,277	62,253
Share purchase plan	-	-	16,890,000	4,223
Placement of shares	50,500,000	31,500	45,000,000	12,000
Shares issued for nil consideration as a result of the exercise of vested performance rights	2,427,499	-	273,334	-
Shares bought back on market	(13,030,887)	(5,265)	-	-
Capital raising costs	-	(1,430)	-	(913)
End of the period	286,302,223	102,368	246,405,611	77,563

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.

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
Total borrowings	17,610	15,447
Less cash and cash equivalents	(77,443)	(1,663)
Net debt (minimum balance is nil)	-	13,784
Total equity	102,696	10,170
Total capital	102,696	23,954

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

The Company and the Consolidated Entity 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 Consolidate Entity'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 Consolidated Entity's operations.

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

Throughout the period under review, the Consolidated Entity's policy is that no trading in financial instruments shall be undertaken.

The main risks arising from the Consolidated Entity'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 Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits. The Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity 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 Consolidated Entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	31 December 2010 $'000	**31 December 2009 $'000**
Financial Assets – interest bearing		
Cash and cash equivalents	77,443	1,663
Net exposure	**77,443**	**1,663**

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 2010 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 Consolidated Entity would have been affected as follows:

	Consolidated	
	31 December 2010 $'000	**31 December 2009 $'000**
Judgements of reasonably possible movements:		
Post tax profit – higher/(lower)		
+1.0% (2009:+ 1.0% per annum)	774	17
-1.0% (2009: - 1.0% per annum)	(774)	(17)

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 Consolidated Entity's balance sheet can be affected significantly by movements in the USD/AUD exchange rates. The Company does not hedge this exposure. Foreign exchange risk arises from future transactions and recognised financial assets and financial liabilities that are denominated in a currency that is not the transacting entity's functional currency.

The Consolidated Entity 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 2010 and 31 December 2009 the Consolidated Entity had no forward foreign exchange contracts in place.

At 31 December 2010 and 31 December 2009 the Consolidated Entity had no foreign currency exposure.

Commodity price risk

The Consolidated Entity 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 2010 and 31 December 2009 no forward contracts were entered into and there were no open positions at 31 December 2010 or 31 December 2009.

The Consolidated Entity did not hold any financial instruments at 31 December 2010 or 31 December 2009 that would be impacted by a change in commodity price.

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

(b) Liquidity risk

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

The Consolidated Entity 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.

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	
	31 December 2010 $'000	**31 December 2009 $'000**
0 – 6 months	3,438	1,312
6 – 12 months	750	750
1 – 5 years	16,250	17,750
	20,438	19,812

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

Consolidated as at 31 December 2010	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	77,443	-	-	-	77,443
Trade and other receivables	1,046	57,636	-	-	58,682
	78,489	57,636	-	-	136,125
Financial Liabilities					
Payables	2,688	-	-	-	2,688
Convertible notes	750	750	16,250	-	17,750
	3,438	750	16,250	-	20,438
Net inflow/(outflow)	75,051	56,886	(16,250)	-	115,687

Consolidated as at 31 December 2009	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	1,663	-	-	-	1,663
Trade and other receivables	524	-	-	-	524
	2,187	-	-	-	2,187
Financial Liabilities					
Payables	562	-	-	-	562
Convertible notes	750	750	17,750	-	19,250
	1,312	750	17,750	-	19,812
Net inflow/(outflow)	875	(750)	(17,750)	-	(17,625)

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

(c) Credit risk

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

Credit risk arises from the financial assets of the Consolidated Entity, 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 Consolidated Entity'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 Consolidated Entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated Entity 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 Consolidated Entity'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 2010 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 Consolidated Entity, 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 2010. The fair value of the financial liability was $1.98 per note which equates to a total fair value of $14,850,000 compared to the carrying value of $14,922,127 (2009: fair value $13,350,000, carrying value $14,885,488). 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 2010 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.

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'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.

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
Minimum lease payments:		
Not later than one year	73	71
Later than one year but not later than 5 years	56	129
Total	129	200

(c) Contingent Assets and Liabilities

There are no contingent assets or liabilities at 31 December 2010.

NOTE 20 INTEREST IN JOINTLY CONTROLLED ASSETS

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:

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'000
CURRENT ASSETS		
Trade and other receivables	442	479
Prepayments	47	1,634
Total current assets	489	2,113
NON-CURRENT ASSETS		
Oil and Gas Properties	1,904	10,044
Deferred exploration and evaluation expenditure	212	12,146
Total non-current assets	2,116	22,190
TOTAL ASSETS	2,605	24,303
CURRENT LIABILITIES		
Trade and other payables	79	48
Provisions	24	147
Total current liabilities	103	195
NON CURRENT LIABILITIES		
Provisions	50	91
Total non current liabilities	50	91
TOTAL LIABILITIES	153	286
NET ASSETS	2,452	24,017
Revenues	6,796	3,373
Expenses	(3,021)	(648)
Impairment of oil & gas properties and deferred exploration expenditure	(1,848)	(1,576)
PROFIT/(LOSS) BEFORE TAX	1,927	1,149
Income tax expense	-	-
Net profit/(loss) after tax	1,927	1,149

(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 2010 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 31 December 2010 $'000	Consolidated 31 December 2009 $'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 2010 the Consolidated Entity held the following interests in oil and gas production and exploration joint ventures:

Joint Venture	Working Interest 31 Dec 2010	Working Interest 31 Dec 2009
Porter's Creek – Wharton County, Texas	-	25.0%
Kenedy Ranch (Group A) – Kenedy County, Texas	-	5.0%
Shaeffer Ranch – Jim Wells, Live Oak and Duvall Counties, Texas*	-	50.0%
Oyster Creek – Brazoria County, Texas	67.5%	75.0%
Scott-2 (Oyster Creek) – Brazoria County Texas*	67.5%	67.5%
YellowRose (Petrohawk Term Assignmnent)	N/A	-
Yellow Rose – McMullen County, Texas	-	75.0%
West Wharton – Wharton County, Texas	-	26.2%
Rowena Wilcox – Jim Wells County, Texas*	-	50.0%

* All capitalised expenditure relating to this project has been written off during the year ended 31 December 2010.

(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 2010. 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 31 December 2010	31 December 2009
Controlled entities of Antares Energy Limited:				
Santa Energy Pty Ltd	Australia	Ord Shares	100	100
Controlled entities of Santa Energy Pty Ltd:				
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 2010 and the year ended 31 December 2009 consisted of:

(a) Interest of $4,709,654 (2009: $3,924,253) was charged on the loans during the period; and
(b) impairment of loan from the company to its subsidiary, Antares Energy Company.

	Parent 31 December 2010 $'000	**31 December 2009 $'000**
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Antares Energy Company (i)	53,357	45,339
Santa Energy Pty Ltd (ii)	47,669	34,455
Total due	101,026	79,794
Impairment allowance for non-recovery (iii)	(58,645)	(58,645)
	42,381	21,149
Reconciliation		
Reconciliation of the provision for non-recovery:		
Balance at start of period	58,645	58,645
Increase in provision for impairment	-	-
Effect of foreign exchange	-	-
Balance at end of period	58,645	58,645

(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 2010 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.

NOTE 23 AUDITOR'S REMUNERATION

The auditor of Antares Energy Limited is Ernst & Young.

	Consolidated 31 December 2010 $'000	Consolidated 31 December 2009 $'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	112	108
- tax and compliance services	22	12
- other services	4	-
	138	120

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Directors

J.A. Cruickshank	Executive Chairman, Managing Director and Chief Executive Officer
M.D. Gentry	Director and Chief Operating Officer
G.D. Shoemaker	Director and Chief Scientist
V.A. McAppion	Director and Company Secretary
M.G. Clohessy	Non Executive Director

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 2010 $	Consolidated 2009 $
Short-Term	3,922,761	727,801
Post Employment	16,748	10,531
Termination benefits	-	-
Share-based Payments	876,902	294,774
	4,816,411	1,033,106

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(ii) Shareholdings of Key Management Personnel (Consolidated)

31December 2010	Balance 1 Jan 10	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 10
Directors					
J.A. Cruickshank	8,000,000	-	1,173,333	126,667	9,300,000
M.D. Gentry	621,667	-	525,000	28,333	1,175,000
G.D. Shoemaker	136,333	-	568,332	-	704,665
V.A. McAppion	29,892	-	160,834	-	190,726
M.G. Clohessy	2,630,000	-	-	85,000	2,715,000
Total	11,417,892	-	2,427,499	240,000	14,085,391

31December 2009	Balance 1 Jan 09	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 09
Directors					
J.A. Cruickshank	6,908,979	-	106,667	984,354	8,000,000
M.D. Gentry	-	-	-	621,667	621,667
G.D. Shoemaker	-	-	-	136,333	136,333
V.A. McAppion	-	-	-	29,892	29,892
M.G. Clohessy	-	-	-	2,630,000	2,630,000
R.A. Elliott	2,500,000	-	-	(2,500,000)	-
W.R.B Hassell	190,000	-	-	(190,000)	-
Total	9,598,979	-	106,667	1,712,246	11,417,892

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)

There are no options outstanding at 31 December 2010.

Year to 31 December 2009	Exercise Price	Balance at 1 Jan 2009	Options Exercised	Options Lapsed	Options Granted	Balance at resignation date	Vested at resignation date Total
Directors							
R.A. Elliott (retired	$0.99	600,000	-	(200,000)	-	400,000	400,000
16 October 2009)	$0.25	600,000	-	(600,000)	-	-	-
W.R.B. Hassell	$0.99	400,000	-	(133,334)	-	266,666	266,666
(retired 16 October 2009)	$0.25	400,000	-	(400,000)	-	-	-
Total		2,000,000	-	(1,333,334)	-	666,666	666,666

* All options vested at 31 December 2009 are exercisable.

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

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

As at 31 December 2010 no Key Management Personnel held convertible notes.

31December 2009	Balance at 1 Jan 2009	Net Change Other	Balance at resignation date
Directors			
R.A. Elliott (retired 16 October 2009)	670,012	-	670,012
W.R.B. Hassell (retired 16 October 2009)	20,000	-	20,000
Total	690,012	-	690,012

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)

2010	As at 1 January 2010	Total Number of Unvested Rights on Issue Vested	Lapsed	Granted	As at 31 December 2010	Vested Rights on Issue 31 Dec 2010
Directors						
J.A. Cruickshank	1,933,334	(786,667)	(480,000)	3,000,000	3,666,667	786,667
M.D. Gentry	583,334	(75,000)	(508,334)	1,500,000	1,500,000	75,000
G.D. Shoemaker	650,002	(105,000)	(545,002)	1,500,000	1,500,000	105,000
V.A. McAppion	166,666	(7,500)	(159,166)	1,000,000	1,000,000	7,500
M.G. Clohessy	-	-	-	500,000	500,000	-
Total:	3,333,336	(974,167)	(1,692,502)	7,500,000	8,166,667	974,167

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

(vi) Loans to Key Management Personnel

During the year ended 31 December 2010 an interest free loan was provided to a Director (J.A. Cruickshank; $590,000), repayable on demand if the Director ceases employment with Antares or ceases to be located in Dallas, Texas. The Board considers the benefit reasonable remuneration within the meaning of Section 211 of the Corporations Act. The loan remains outstanding as at 31 December 2010 (2009; Nil).

(vii) Other transactions and balances with Key Management Personnel

During the year ended 31 December 2010 and the year ended 31 December 2009 there were no transactions with Key Management Personnel other than those described above. At 31 December 2010 and 31 December 2009 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

NOTE 25 PARENT ENTITY INFORMATION

The following information relates to the parent entity, Antares Energy Limited, at 31 December 2010. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	31 December 2010 $'000	31 December 2009 $'000
Current assets	1,180	1,466
Non-current assets	42,390	21,149
Total assets	43,570	22,615
Current liabilities	2,626	510
Non-current liabilities	15,064	14,921
Total liabilities	17,690	15,431
Contributed equity	102,368	77,563
Reserves	5,831	4,762
Accumulated losses	(82,319)	(75,141)
Total equity	25,880	7,184
Loss for the year	(7,178)	(11,057)
Total comprehensive loss for the year	(7,178)	(11,057)

NOTE 26 DISCONTINUED OPERATIONS

(a) Details of operations disposed

During December 2010 the Yellow Rose and Bluebonnet projects were sold for total consideration of USD$156,200,000, resulting in a gain on disposal of AUD$96,821,729 before tax.

(b) Financial performance of operations disposed

	31 December 2010 $'000	31 December 2009 $'000
Revenue	2,937	-
Cost of sales	(2,208)	-
Gross profit	729	-
Gain on disposal	96,822	-
Profit before income tax from discontinued operations	97,551	-
Income tax expense	(17,773)	-
Profit after income tax from discontinued operations	79,778	-

(c) Assets and liabilities and cash flow information of disposed

Assets	
Oil and gas properties	24,730
Exploration and evaluation assets	35,019
Net assets attributable to discontinued operations	59,749
Consideration received or receivable	
Cash	98,935
Present value of deferred sales proceeds	57,636
Total disposal consideration	156,571
Less net assets disposed of	(59,749)
Gain on disposal before income tax	96,822
Income tax expense	(17,773)
Gain on disposal after income tax	79,049
Net cash inflow on disposal	
Cash and cash equivalents consideration	98,935
Reflected in the statement of cash flows	98,935
Earnings per share – cents per share	
Basic from discontinued operations	27.9
Diluted from discontinued operations	27.9

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 and notes of Antares Energy Limited for the financial year ended 31 December 2010 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 31 December 2010 and performance for the year ended on that date; and

(ii) complying with Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1(b); and

(c) 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 ended 31 December 2010.

On behalf of the Board.

J.A. CRUICKSHANK
Executive Chairman

West Perth, Western Australia
31March 2011

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Perth WA 6000 Australia
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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 consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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.

Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 31 December 2010 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in pages 4 to 11 of the directors' report for the year ended 31 December 2010. 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.

Opinion

In our opinion, the Remuneration Report of Antares Energy Limited for the year ended 31 December 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
31 March 2011

SHAREHOLDER INFORMATION
AS AT 21 MARCH 2011

Ordinary Shares

(a) Twenty Largest Shareholders

		Number of Shares	% of issued shares
1.	HSBC Custody Nominees Aust Ltd	27,516,486	9.78%
2.	Citicorp Nominees PL	24,149,336	8.58%
3.	J P Morgan Nominees Aust Ltd	20,464,777	7.27%
4.	Yandal Investments PL	12,200,000	4.34%
5.	James Andrew Cruickshank	9,400,000	3.34%
6.	National Nominees Ltd	6,693,346	2.38%
7.	Link Enterprises International	5,055,864	1.80%
8.	B L & V R D Williams	3,650,000	1.30%
9.	Essential Faith PL	3,580,000	1.27%
10.	Tangled-Blue Investments PL	2,861,255	1.02%
11.	Rodney Alexander Shea	2,773,000	0.99%
12.	Mark Clohessy	2,715,000	0.96%
13.	Collin A MacKellar	2,594,918	0.92%
14.	JaswinderTakhar	2,502,009	0.89%
15.	Johjam PL	2,490,000	0.88%
16.	Valware PL	2,003972	0.71%
17.	Matthew Gentry	1,800,000	0.64%
18.	Howard McLaughlin	1,775,500	0.63%
19.	Kaysu Holdings No. 2 PL	1,550,000	0.55%
20.	Kieran James Mann	1,348,000	0.48%
Total		**137,123,463**	**48.73%**

(b) Distribution of Shareholdings

	Number of Shareholders	Number of Shares Held
1 - 1,000	1,007	350,615
1,001 - 5,000	1,275	3,707,882
5,001 - 10,000	795	6,553,753
10,001 - 100,000	1,620	55,167,031
100,00 - and over	302	215,635,664
Total	**4,999**	**281,414,945**

(c) Substantial Shareholders

	Number of Shares	% of Issued Shares
HSBC Custody Nominees Aust Ltd	27,516,486	9.78%
Citicorp Nominees PL	24,149,336	8.58%
J P Morgan Nominees Aust Ltd	20,464,777	7.27%

(d) Unmarketable Parcels
There were 1,052 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.

(g) On-market Share Buy-back
In the period from 16 December 2010 to 21 March 2011 the Company bought back 20,039,956 shares on-market.

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Convertible Notes

(a) Twenty Largest Convertible Note Holders

		Number of Convertible Notes	% of Issued Convertible Notes
1.	HSBC Custody Nominees Australia Limited	5,443,200	72.58%
2.	Link Enterprises (International) PL	596,999	7.96%
3.	Michael Edward Constable	228,000	3.04%
4.	Dorran PL	150,000	2.00%
5.	Kampar PL	92,277	1.23%
6.	J P Morgan Nominees Aust Ltd	88,000	1.17%
7.	Gim Tong Teo + B H Kwah	85,500	1.14%
8.	D J & B L Le Cornu	76,000	1.01%
9.	Yee LanTeo	53,500	0.71%
10.	RBC Dexia Investor Services Aust Nominees PL	50,000	0.67%
11.	J Newman & J A Holman	50,000	0.67%
12.	Duncan O'Brien	50,000	0.67%
13.	Rijean PL	41,000	0.55%
14.	E B + G F Norris	25,000	0.33%
15.	W + H Hall	25,000	0.33%
16.	National Nominees Ltd	24,400	0.33%
17.	Gamog No. 8 PL	19,000	0.25%
18.	R M Hipkins	15,000	0.20%
19.	B F Bamkin	15,000	0.20%
20.	Bond Street Custs Ltd	15,000	0.20%
Total		**7,142,876**	**95.24%**

(b) Distribution of Convertible Note Holdings

	Number of Convertible Note Holders	Number of Convertible Notes Held
1 - 1,000	4	2,855
1,001 - 5,000	56	192,260
5,001 - 10,000	12	106,821
10,001 - 100,000	20	779,865
100,00 - and over	4	6,418,199
Total	**96**	**7,500,000**

(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.

(e) On-market Convertible Note Buy Back

In the period from 1 January 2010 to 21 March 2011 the Company bought back 2,034,690 convertible notes on-market.

LIST OF INTERESTS
AS AT 31 MARCH 2011

USA

Wells

Project	State	County	Wells	Working Interest
Oyster Creek	TX	Brazoria	Harrison-1	67.5%
			Harrison-2	67.5%
			Harrison-3	67.5%
Yellow Rose	TX	McMullen	Petrohawk Term Assignment	N/A

Exploration Leases

Project	State	County
Oyster Creek	TX	Brazoria

ANNUAL GENERAL MEETING

The Annual General Meeting of Antares Energy Limited will be held at 3pm on Wednesday 25 May 2011 at Level 31 Allendale Square, 77 St Georges Terrace, Perth, Western Australia 6000.