



# ANTARES ENERGY LIMITED

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ASX/NEWS RELEASE

31 January 2012

## QUARTERLY ACTIVITY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2011

### 4<sup>th</sup> Quarter Highlights:

1. Net quarterly oil production of 48,949 BO (38% quarter on quarter increase).
2. Net quarterly gas production of 213,305 MCF (112% quarter on quarter increase).
3. 1,400 BOEPD – 2011 exit production rate net to Antares' working interest.
4. 2,500 BOEPD – 2012 targeted exit production rate net to Antares' working interest.
5. Commencement of fully funded, 30 well drilling campaign.
6. First 10,000,000 USD drawdown from 200,000,000 USD term debt facility issued by Macquarie Bank Limited to support the development of Antares' Permian Basin assets.
7. Ongoing buyback reduces shares on issue to 260,000,000.
8. Launch of new company website ([www.antaresenergy.com](http://www.antaresenergy.com)).

## OPERATIONAL UPDATE FOR THE QUARTER ENDED 31 DECEMBER 2011

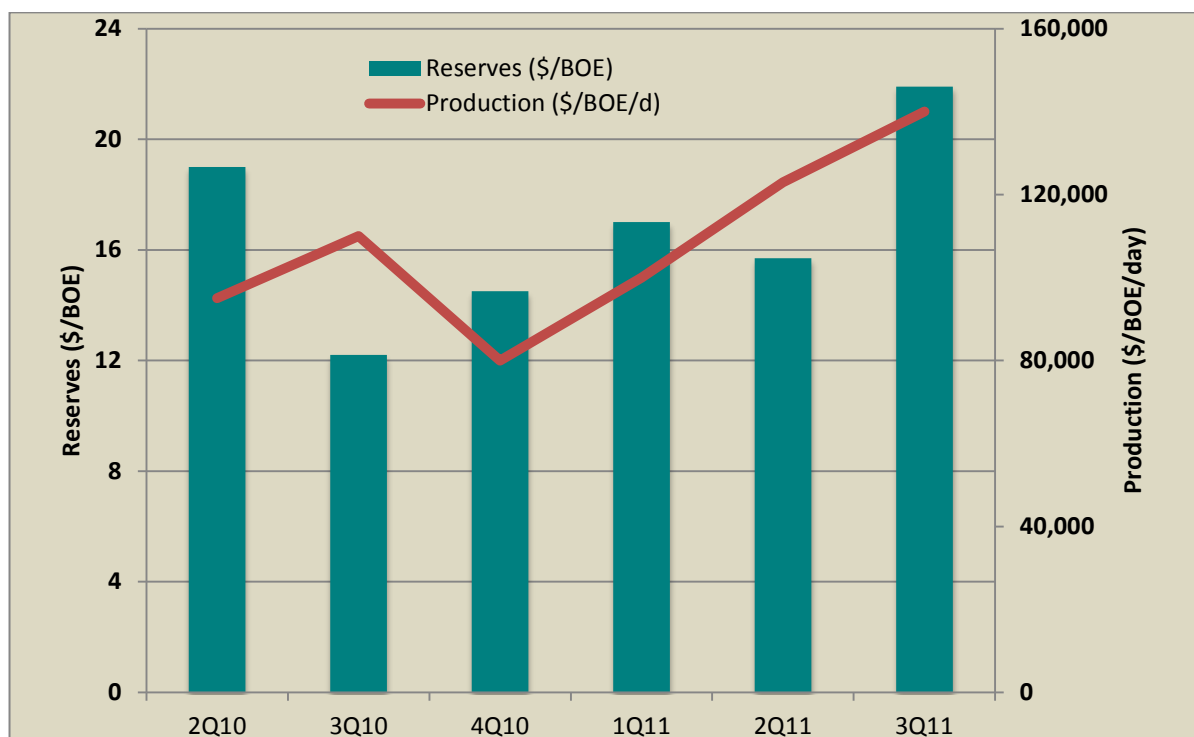
### LETTER TO SHAREHOLDERS FROM THE CHIEF OPERATING OFFICER

Dear Shareholders,

I hope you share my excitement as Antares has begun 2012 with an unprecedented level of operational activity. I write this note while two rigs are conducting drilling activities at our Southern Star project area, and a busy frac schedule about to get underway. With not less than thirty wells to drill by years end, 2012 will be a very busy year.

As we enter 2012 we are also witnessing one of the largest spreads in crude oil pricing versus natural gas pricing in the United States in my career. With oil prices hovering near \$100/BO and US natural gas at \$2.75/MCF this spread now resides at over 36x! Antares is well positioned in the oily Permian Basin as our production stream is approximately 80% liquids. This is in part due to the nature of our produced gas where we can extract near 150 barrels of natural gas liquids (NGLs) per 1 MMCF of wellhead gas. This is a tremendous advantage compared to many gassy North American shale plays including the Haynesville, Marcellus, Barnett and Fayetteville.

Last quarter we also announced the execution of a 200,000,000 USD term debt facility with Macquarie Bank Limited for the development of our Permian properties. We recently completed our first 10,000,000 USD drawdown and are now putting that money to work at Southern Star drilling and completing development wells. Our planned 2012, thirty well program will see Antares' net production from Permian operations swell to near 2,500 BOE/day with year end proven reserves (1P) of approximately 12.5 MMBOE.



The above chart was compiled by Tudor, Pickering Holt & Associates and shows US onshore deal metrics through the third quarter 2011 for deals in excess of 50,000,000 USD. Beginning in late 2010 there has been a steady increase in valuations to where \$100,000/BOE/day for production and \$20/BOE for proven reserves is commonplace. Projecting our targeted year-end reserves and production forward to these metrics, the shareholder value we are creating through our ambitious 2012 work plan becomes evident.

Another avenue for increased shareholder value is through the acquisition of additional Permian Basin development opportunities. Due to the fractured ownership structure of the Permian, the level of deal flow continues to remain high. The ideal opportunity for Antares will be one that has been significantly derisked through drilling operations but is in need of capital to bring it to full-scale development.

Lastly, we have received very positive feedback from the launch of our new website and reporting structure with weekly operational updates and monthly production reports. We will continue to make improvements and endeavor to provide further commentary regarding the performance of our assets. I look forward to sharing the results of our 2012 drilling and completion campaign.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Matt Gentry".

Matt Gentry  
Director & Chief Operating Officer

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

**Antares Energy Limited**

ABN

75 009 230 835

Quarter ended ("current quarter")

31 December 2011

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	2,500	6,578
1.2 Payments for (a) exploration & evaluation	(5,188)	(19,992)
(b) development	(7,622)	(14,691)
(c) production	(323)	(1,018)
(d) administration	(311)	(1,616)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	72
1.5 Interest and other costs of finance paid	(378)	(3,098)
1.6 Income taxes paid	(751)	(13,370)
1.7 Other (a) withholding tax	(69)	(494)
(b) franchise tax	-	(160)
<b>Net Operating Cash Flows</b>	<b>(12,140)</b>	<b>(47,789)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	(2,323)	(73,317)
(b) equity investments	-	-
(c) other fixed assets	(14)	(238)
1.9 Proceeds from sale of: (a) prospects	-	56,682
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(2,337)</b>	<b>(16,873)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(14,477)</b>	<b>(64,662)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(14,477)	(64,662)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	9,846	9846
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	• Share issue transaction costs	-	-
	• Payments for share buy-back	(979)	(13,300)
	<b>Net financing cash flows</b>	<b>8,867</b>	<b>(3,454)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(5,610)</b>	<b>(68,116)</b>
1.20	Cash at beginning of quarter/year to date	11,671	77,443
1.21	Exchange rate adjustments to item 1.20	(414)	(3,680)
1.22	<b>Cash at end of quarter</b>	<b>5,647</b>	<b>5,647</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(506)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Item 1.23 includes aggregate amounts paid to directors including salary, directors' fees, consulting fees and superannuation.

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities		

+ See chapter 19 for defined terms.

- 3.2 Credit standby arrangements:-  
Antares Energy has established a 200,000,000 USD three year term debt facility at an interest rate of LIBOR plus 4.0 percent with Macquarie Bank Limited. Antares intends to draw upon the facility in multiples of 10,000,000 USD.

US\$190,000	US\$10,000
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### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	8,000
4.3 Production	1,000
4.4 Administration	500
<b>Total</b>	<b>11,500</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	5,625	9,705
5.2 Deposits at call	22	1,966
5.3 Bank overdraft	-	-
5.4 Other (provide details) Promissory note	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,647</b>	<b>11,671</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	N/A			
6.2 Interests in mining tenements acquired or increased	N/A			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference +securities</b> <i>(description)</i>	Nil			
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 <b>+Ordinary securities</b>	260,600,000	260,600,000		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(2,400,000)	(2,400,000)		
7.5 <b>+Convertible debt securities*</b> <i>(description)</i>	7,500,000	7,500,000	\$2.00	Fully paid
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil Nil			
7.7 <b>Options</b> <i>(description and conversion factor)</i>	Nil		<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 <b>Performance rights**</b>	666,667 7,500,000	Nil Nil	Nil Nil	09/10/2014 01/07/2015
7.12 a) Issued during quarter	Nil			
b) Exercised during quarter				
c) Expired during quarter				

\* Convertible at a rate of 1:1. Interest paid at 10%, quarterly in arrears. Expiry date is 31 October 2013. Next reset date is 31 October 2012. At the reset date the Company resets the interest rate, conversion rate (to a maximum of 4:1) and the next reset date. The notes can be redeemed by the holders at the reset date and can be converted to ordinary shares at any time.

+ See chapter 19 for defined terms.

\*\* Issued under the Performance Rights Plan approved by shareholders on 23 November 2004 and 26 May 2010 AGMs.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ..... Date: **31 January 2012**  
(Director and Company Secretary)

Print name: **Vicky McAppion**

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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