2007 ANNUAL REPORT

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2007

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

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COMPANY DIRECTORY

DIRECTORS:
Richard Elliott, Non-Executive Chairman
William Hassell, Non-Executive Director
Howard McLaughlin, Managing Director & Chief Executive Officer
James Cruickshank, Executive Director

COMPANY SECRETARY:
David Rich

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ANNUAL GENERAL MEETING

The Annual General Meeting of Antares Energy Limited will be held at 4.00 pm on Friday 30 May 2008 at the Celtic Club, 48 Ord St, West Perth, Western Australia 6005.

CHAIRMAN'S LETTER

Dear Shareholders

As I stated earlier when the 2007 annual financial report was released on 31 March 2008, this has been a terrible year for the Company and its shareholders. The Board had followed down the path outlined in our three year Strategic Plan because it believed the plan would generate appropriate rewards. It didn't. The share price collapsed as a consequence of our lack of operational success. The Board has stated its intention to rectify this and turn the Company around. The cash flow is negative. This is being addressed in two ways: increasing production, and substantial cutting of costs.

As to increasing production in the near term, Antares is participating in the second West Wharton well (Stewart-1) which is due to spud shortly, and if that is successful, it is likely we will participate in further West Wharton wells, drilled at approximately three month intervals. At Oyster Creek, we await the completion of Harrison-2, and if that provides the sustained production that we anticipate, we may drill Harrison-3. Based on drilling indications, we expect that Harrison-2 will have multiple pay zones. The independent reserves estimate set out in section 7 of the Directors' Report supports the Board's strategy of developing these two projects.

Until recently the Company had cost burdens for staff and overheads that were no longer appropriate for our market capitalisation. Costs will be trimmed by the Board reducing in size from five to three. Managing Director Howard McLaughlin has advised the Board that he will not seek a renewal of his employment contract when it ends on 30 June 2008. Non-executive Director Fraser Campbell resigned from the Board effective 1 April 2008. As the Company does not operate any of its holdings, operational and support staff were reduced during April 2008. The Vice President - New Ventures left the Company on 26 February 2008, and will not be replaced. The Company will not replace its Group Financial Controller who left the Company on 26 March 2008. However, the Board has retained its exploration staff in the US. They will continue to evaluate Antares' holdings with a view to generating our own prospects. It is intended to retain a small budget for seismic purchase and land leasing, in furtherance to this end. With staff numbers now reduced, office space and overheads will also be cut back. The steps outlined are intended to turn the Company's cash flow, excluding well costs, from negative to positive almost immediately.

With the near-term development of the West Wharton and Oyster Creek projects, the Company expects to rapidly increase its cash flow. Both projects are pipeline connected, and the prices being received for product are at the upper end of our expectations. Quoted prices for gas on 15 April 2008 were USD 10.15 per Mcf for gas and USD 113.79 per barrel for oil. It is expected that these prices will remain firm. As production increases our financial position will strengthen. While it is the Board's preferred position to generate any required working capital from the proceeds of production, it may look to monetising some assets, as it did with the Company's Oklahoma holdings. If these preferred steps are unsuccessful, the Company has the capacity to issue equity, dilutive though it may be to current shareholders.

Our intermediate term exploration will be focused on the Yellow Rose Project, which contains a variety of Edwards limestone plays. We are currently negotiating a farmout for drilling in conjunction with our partner and Operator, SIDC. We have leased a substantial acreage spread in Yellow Rose and competitors are currently drilling Edwards prospects adjacent to our holdings. We view the development of Yellow Rose as having substantial upside for the Company.

Antares has a large acreage holding in Shaeffer Ranch and will assist the Operator in attracting a farminee. Antares believes there is still considerable potential in the holding, but will be required to reduce its interest due to the high costs of drilling to the depth of Rowena.

The Board has a clear strategy in place to cut costs and increase production.

R.A. ELLIOTT
Chairman
16 April 2008

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 2007.

1. DIRECTORS

The directors in office at any time during the year to 31 December 2007 and until the date of this report are as follows. Directors were in office for this entire period.

Richard Alden Elliott, BS(Hons) MS, MAICD - Non-Executive Chairman.

Appointed 6 July 2001. Mr Elliott is a member of AAPG (American Association of Petroleum Geologists) and the AICD (Australian Institute of Company Directors). Mr Elliott worked for Gulf Oil Corporation for six years and then Occidental Petroleum for 13 years where he was a Regional Exploration Manager before becoming Managing Director of Australian Occidental Petroleum. During his stewardship, Australian Occidental discovered the Jabiru, Challis, Harriet and Blina oil fields. After leaving Occidental he was principal of a resource consultancy firm in Western Australia and spent 6 years as Consultant to the Premier of Western Australia. Mr Elliott was a director of Arc Energy Limited from July 1998 to November 2003. Mr. Elliott is Chairman of the Nomination Committee and is a member of the Audit and Compliance and Remuneration Committees. Mr. Elliott has held no other public company directorships during the last three years.

Fraser David Campbell, MA, MSc - Non-Executive Director.

Appointed 26 March 2002. Mr. Campbell was formerly General Manager Australasia for the Bank of Scotland and brings to the Company a wealth of experience and strong associations with international corporate finance. He was elected a Fellow of the Institute of Bankers in 1998. Mr. Campbell is Chairman of the Remuneration Committee and a member of the Audit and Compliance and Nomination Committees. Mr. Campbell was a director of JDV Limited until 27 September 2005 and has not held any other public company directorships during the past three years.

William Ralph Boucher Hassell A.M., J.P., LL.B., M.A, MAICD - Non-Executive Director.

Appointed 3 September 2004. Mr. Hassell is a qualified lawyer and a former State Member of Parliament, State Minister of the Crown and State Opposition Leader. Mr. Hassell's commercial experience includes property and commercial legal work, consulting work and directorships of public and private companies. Until December 2005 and within the last three years he was a director and latterly Chairman of Hire Intelligence International Limited. Mr. Hassell has also represented Western Australia as Agent General in Britain and Europe. Mr. Hassell is a member of the Australian Institute of Company Directors and the Honorary Consul for the Federal Republic of Germany in Western Australia. He is a member of the Innovation Australia Board (Commonwealth), Chairman of its Automotive Committee, a part-time member of the Superannuation Complaints Tribunal (Commonwealth) and partner in a small private consultancy. He undertakes significant charitable and voluntary work. Mr. Hassell is Chairman of the Audit and Compliance Committee and a member of the Remuneration and Nomination committees of Antares Energy Limited.

Howard Mark McLaughlin, B.Sc. Geology - Managing Director & Chief Executive Officer.

Appointed 29 July 2003. Mr. McLaughlin has over 30 years experience in the petroleum industry, with 19 years working with BHPBilliton Petroleum. Mr. McLaughlin's most recent position prior to Antares was as Vice President Global Exploration, based in Houston Texas, where he had overall stewardship of BHPBilliton Petroleum's global oil and gas exploration businesses. Prior to joining BHPBilliton in 1983, he worked for ESSO Resources Canada Ltd for 6 years in Calgary, Alberta. Mr. McLaughlin's extensive international background has focused on exploration, appraisal and business development, and in addition he has held key roles in marketing and strategic planning. Mr. McLaughlin is a member of the Nomination Committee. Mr. McLaughlin has held no other public company directorships during the last three years.

James Andrew Cruickshank, B.Com, GDipAppnFin, GAICD, ASA, F.Fin – Executive Director.

Appointed 8 October 2004. Mr Cruickshank has 19 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 Nomination Committee. Mr. Cruickshank has held no other public company directorships during the last three years.

COMPANY SECRETARY

David James Rich B.Com, CA, Grad.Dip.CSP, ACIS

Appointed 8 July 2002. Mr. Rich is a Chartered Accountant and a Chartered Secretary with over 20 years of commercial and business experience. Mr. Rich worked for KPMG for over four years before moving into commerce in 1991. Since then, Mr. Rich has held a number of senior financial, secretarial and management positions, mostly in listed companies. In particular Mr Rich has experience in managing companies with international operations and companies in a growth stage of development.

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

Name of Director	Fully Paid Ordinary Shares	Convertible Notes	Unlisted Options	Performance Rights
R.A. Elliott	2,500,000	577,112	600,000	-
F.D. Campbell	125,000	-	400,000	-
W.R.B. Hassell	190,000	20,000	400,000	-
H.M. McLaughlin	1,356,000	24,060	-	1,200,000
J.A. Cruickshank	6,389,500	-	-	800,000

During the year to 31 December 2007 thirteen 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		Nomination Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R.A. Elliott	13	13	5	5	3	3	1	1
F.D. Campbell	13	12	5	5	3	3	1	1
W.R.B. Hassell	13	13	5	5	3	3	1	1
H.M. McLaughlin	13	13	-	-	-	-	1	1
J.A. Cruickshank	13	13	-	-	-	-	1	1

Remuneration Committee

Throughout the year to 31 December 2007, the Remuneration Committee was comprised of Messrs Campbell (Chairman), Elliott and Hassell.

Audit and Compliance Committee

Throughout the year to 31 December 2007, the Audit and Compliance Committee was comprised of Messrs Hassell (Chairman), Elliott and Campbell.

Nomination Committee

Throughout the year to 31 December 2007, the Nomination Committee was comprised of Messrs Elliott (Chairman), Campbell, Cruickshank, Hassell and McLaughlin.

2. PRINCIPAL ACTIVITIES

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

3. FINANCIAL RESULTS

The net loss after income tax of the Consolidated Entity for the year ended 31 December 2007 totalled $37,386,000 (six months ended 31 December 2006: $2,896,000). This is equivalent to a loss of 23.6 cents per share (six months ended 31 December 2006: loss of 1.8 cents per share).

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 2007 and since 31 December 2007 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 1,675,000 options for ordinary fully paid shares on issue as follows:

Number of Options		Exercise Price	Expiry Date
275,000	- unlisted	$1.22	13 July 2008*
1,400,000	- unlisted	$0.99	8 May 2011
1,675,000			

* Due to the resignation of the holder, these options will lapse on 26 May 2008 if not exercised.

Since 31 December 2007 and to the date of this report no options have been issued and none have expired. Refer to Notes 15 and 26 of the financial statements for more details.

Optionholders do not have any right by virtue of the option, to participate in any share issue of the Company or any related body corporate.

6. CORPORATE STRUCTURE

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

DIRECTORS' REPORT (Cont.)

7. OPERATING AND FINANCIAL REVIEW

Overview of the Consolidated Entity

Antares Energy Limited was listed on the Australian Stock Exchange in 1994 as Amity Oil Limited. In 2003/4 after a period of years predominantly exploring and producing in Turkey and Australia, the Company divested the Turkish assets and redirected its focus to the USA. The Company set up an operations office in Dallas, Texas to be the technical centre for the company where a portfolio of exploration opportunities was assembled. The Company's first well in the USA programme was spud in late 2004 and initial production was established within 12 months from the commencement of the Company's operations in the USA. Since then 18 more wells have been drilled with production initiated in Oklahoma, Garcitas Ranch, Oyster Creek and West Wharton.

The Company's sole geographical focus is the USA and presently the Company is actively involved in two production projects (Oyster Creek and West Wharton) and two exploration projects in south Texas (Yellow Rose and Shaeffer Ranch).

The Company also owned and operated an exploration and production project in Oklahoma which it has now divested.

Performance Indicators

The Board and management team establish and approve the direction of the Company by discussing and preparing strategic plans and annual budgets. The key performance indicators identified from the plans and budgets are used to monitor performance. Management monitor the key performance indicators on a regular basis and the Board receive the key performance indicators for review prior to each board meeting allowing directors to actively monitor performance and change strategy if required.

Dynamics of the Business

In the USA gas prices have remained high over the year primarily due to an increase in gas demand over supply. Quoted prices for gas on 26 March 2008 were USD 9.56 per Mcf of gas and USD 105.61 per barrel for oil.

Sustained high oil and gas prices have both increased the number of competitors as well as the number of active drilling rigs. The company has been drilling exploration wells to evaluate its portfolio as well as developing in-house prospects. Operationally the industry is suffering from an acute skill shortage which translates into widespread drilling and completion difficulties.

As resource prices stay firm there continues to be a strong demand for resources and services in the industry.

Operating Results for the Period

		12 months to 31 December 2007	6 months to 31 December 2006
Production (BCFe)	- USA	0.4	0.2
Production ('000 BOE)	- USA	70	30
Sales revenue ($mil.)	- USA	3.0	1.2
Overall net profit/(loss) after tax ($mil.)		(37.4)	(2.9)
Operating cashflow ($mil.)		(2.6)	-

The past year has been disappointing from an exploration perspective. Garcitas Ranch 1 & 2 wells failed to live up to their early promise and once put on production experienced a rapid decline in reservoir pressure indicating very small reservoir compartments in both wells. This was unexpected and impossible to predict until a meaningful amount of production history was accumulated. Both these wells have been fully impaired in the financial statements. The Ilse-1 and Jean H. Freeborn-1 wells, on the New Taiton and Shaeffer Ranch projects respectively, showed early promise with significant gas shows but ultimately failed to flow gas in commercial volumes and were fully written off in the financial statements. Jean H. Freeborn-1 did however indicate the presence of gas bearing Wilcox sand on the very large Rowena structure.

On the positive side the Outlar-1 well on the West Wharton project was an outstanding success and continues to produce both gas and condensate at significant daily rates. Stewart-1, the next well on the West Wharton project has been committed to and is scheduled for spud in April 2008. At least five more drilling locations are available on West Wharton. If the next well is successful future wells are planned approximately every three months. The high gas and condensate quality are commanding a price premium at the current time.

Harrison-2 is currently being drilled on the Oyster Creek project. This well is an appraisal well targeting the main body of the Anomalina sands. The well is being drilled under a turnkey fixed contract to limit the exposure to drilling cost overruns. The well was drilled to within 100 feet of its final objective before encountering drilling problems. Good gas shows were observed as the main objectives were drilled. As at the date of this report the drilling contractor is endeavouring to sidetrack the well which is expected to be completed by the end of April 2008.

The Scott-2 well has been re-completed and is producing. The Harrison-1 well has ceased production and is being considered for use as a salt water disposal well. This well was originally targeting the objective currently being drilled by Harrison-2 but was ultimately completed in a separate, smaller fault compartment. In the financial statements Scott-2 has been significantly impaired and Harrison-1 has been fully impaired.

The Yellow Rose project is coming to fruition and is expected to be farmed out within the next few months. A large number of attractive prospects have been interpreted within the Edwards limestone reefal limestone sequence. This play has been successfully developed along this trend by others.

Exploration expenditure in the USA totalled $21.4 million during the year to 31 December 2007.

In December 2007 the Board finalised the divestment of the Consolidated Entity's Oklahoma properties to Exoma Energy Limited for USD 4.35 million.

Reserves position

The Consolidated Entity engaged LaRoche Petroleum Consultants, Ltd. to undertake an independent estimation 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 2007. The estimates were prepared in accordance with generally accepted engineering and evaluation principles as set forth by the Society of Petroleum Engineers. LaRoche Petroleum Consultants, Ltd. estimated the net reserves and cash flows of the Consolidated Entity as at 31 December 2007 to be as follows:

Category	Net Reserves: Oil (Barrels)	Net Reserves: Gas (Thousand Cubic Feet (Mcf))	Future Net Cash Flow*: Total (USD'000)	Future Net Cash Flow*: Present Worth at 10% (USD'000)
Proved Developed				
Producing (PDP)	22,339	488,190	6,602.6	5,653.7
Non-Producing (PDNP)	-	-	-	-
Proved Undeveloped	-	-	-	-
Total Proved (1P)	**22,339**	**488,190**	**6,602.6**	**5,653.7**
Probable	21,920	2,943,140	26,798.7	16,672.3
Proved and Probable (2P)	**44,259**	**3,431,330**	**33,401.3**	**22,326.0**
Possible	98,514	10,567,153	99,240.1	56,211.8
Proved, Probable and Possible (3P)	142,773	13,998,483	132,641.4	78,537.8

* Basic assumptions are:

(i) Oil prices are referenced to a per-barrel NYMEX West Texas Intermediate (WTI) futures contract price adjusted for gravity, transportation fees, and regional price differentials. Gas prices are referenced to a per-MMBtu NYMEX Henry Hub futures contract price adjusted for energy content, transportation fees, and regional price differentials.

(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.

Shareholder Returns

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

	12 months to 31 Dec 2007	6 months to 31 Dec 2006	12 months to 30 June 2006	12 months to 30 June 2005	12 months to 30 June 2004	12 months to 30 June 2003
Sales revenue ($'million)	3.0	1.2	9.2	23.1	20.6	15.5
Net profit/(loss) after tax ($'million)	(37.4)	(2.9)	5.5	0.7	(8.3)	0.3
Basic earnings/(loss) per share (cents)	(23.6)	(1.8)	3.5	0.4	(5.2)	0.2
Closing period end share price ($)	0.44	0.71	0.39	0.44	0.63	1.16

Notes:
1. 31 December 2007 and 2006, 30 June 2006 and 2005 net profit after tax and EPS are reported under AIFRS accounting standards whereas 2004, 2003 are reported under the AGAAP accounting standards in effect at the time.
2. No dividends were paid at any time over the last five years.
3. 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.
4. Sales revenue, net profit after tax and EPS include discontinued operations.

Strategy and Investments for Future Performance

The Company has a strategy to explore for gas and condensate onshore USA. The geographical focus within the USA is currently along the south Texas Gulf coast. The company is maintaining an exploration team in Dallas, Texas and the corporate head office remains in Perth, Western Australia.

Further specifics on the Board's future strategy are set out in item 14 of this report.

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.

DIRECTORS' REPORT (Cont.)

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.

The Company is taking advantage of relief available under Corporations Regulation 2M.6.04 which exempts listed companies from providing remuneration disclosures in their annual financial report, as required by paragraphs AUS 25.4 to AUS 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

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 directors and senior executives") 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; and
  - 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.

9.2 Managing director and executives

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 excluding car parking), as well as employer contributions to superannuation funds.

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 managing director'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 Note 26 to the financial statements.

Variable remuneration

Variable remuneration is designed to reward the managing director and senior executives for meeting or exceeding financial, operational and/or individual objectives or expectations. Those incentives are an "at risk" bonus provided in the form of cash and/or performance rights.

Each year, as part of the strategic plan, the board sets the KPI's (key performance indicators) for the Company. The KPI's take into consideration shareholder, operational and financial measures.

Performance Rights

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

Under the plan the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights. For both Series 1 and Series 2 the Board selected a mix of performance hurdles that included both oil and gas industry performance benchmarks and direct shareholder returns by way of market capitalisation measures. 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 chose to have these audited before determining if, and to what extent, the performance hurdles have been met.

As at 31 December 2007 there were two series of performance rights on issue – Series 1 and Series 2.

Series 1

The remaining unvested Series 1 performance rights on issue at 31 December 2007 were dependent on performance hurdles and service conditions and were to all to vest or lapse on 31 December 2007. The test date for vesting is around March of the following year, hence as at 31 December 2007 the 31 December 2007 vesting had not yet been determined.

On 28 March 2008 the Board of Antares Energy Limited determined that for the year ended 31 December 2007 none of the performance rights available for vesting at 31 December 2007 had vested as a result of performance hurdles being met.

A total of 2,101,667 performance rights were eligible for vesting in relation to Company performance for the year ended 31 December 2007. As a result of the Board's determination, on 28 March 2008 no performance rights vested and 2,101,667 lapsed.

Series 2

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

In the year to 31 December 2007, 3,600,000 performance rights were granted to executives and senior directors. 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.

The performance hurdles are as follows:	Hurdle Weighting	
	Series 1	Series 2
A) Market capitalisation	20%	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%
F) Comparison of percentage growth in market capitalisation per annum with peer group of eight companies*	10%	-
	100%	**100%**

*The peer group comprises of Arc Energy (ASX: ARQ), Amadeus Energy (ASX: AMU), Tomahawk (ASX: THK), Mosaic Oil (ASX: MOS), Petsec Energy (ASX: PSA), Roc Oil (ASX: ROC), Tap Oil (ASX: TAP) and Carrizo Oil and Gas (NASDAQNM: CRZO).

Performance Rights granted and vested during the period

	Grant date	Granted (Series 2)	Vested Number	Vested %
Directors				
H.M. McLaughlin	2 July 2007	1,200,000	-	-
J.A. Cruickshank	2 July 2007	800,000	-	-
Executives				
D.J. Rich	2 July 2007	800,000	-	-
D.M. Scull	2 July 2007	800,000	-	-
Total:		3,600,000	-	-

In the period to 31 December 2006 there were no performance rights granted to directors or executives.

Shares issued on the exercise of vested performance rights

	Number of Shares Issued
Directors	
H.M. McLaughlin	82,500
J.A. Cruickshank	49,500
Executives	
D.J. Rich	60,500
Total:	192,500

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* $	Total value of performance rights granted, exercised and lapsed during the year $	Remuneration consisting of performance rights during the year $
Directors					
H McLaughlin	696,000	67,155	136,345	899,500	15.9%
J A Cruickshank	464,000	40,293	81,807	586,100	12.3%
Executives					
D Rich	464,000	49,247	99,986	613,233	12.7%
D Scull	464,000	-	81,807	545,807	1.5%

* The volume weighted average share price on 26 February 2007, the day of exercise and lapsing, was $0.814 per share. As the exercise price is nil, $0.814 is 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.

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

The maximum grant value, which will be payable 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 amount payable assuming that service and performance conditions are not met is zero.

DIRECTORS' REPORT (Cont.)

Options

During the year to 31 December 2007, 1,400,000 options exercisable at $0.99 on or before 8 May 2011 were granted to non-executive directors following approval by shareholders at the Company's annual general meeting on 7 May 2007. No options were granted to directors or executives during the six months to 31 December 2006.

Options granted and vested during the period

Year to 31 December 2007

	Number	Grant date	First Exercise date	Last Exercise date	Exercise Price	Fair value at date of grant	Vested Number
Directors							
R.A. Elliott	600,000	8 May 2007	8 May 2008	8 May 2011	$0.99	$0.33	-
W.R.B. Hassell	400,000	8 May 2007	8 May 2008	8 May 2011	$0.99	$0.33	-
F.D. Campbell	400,000	8 May 2007	8 May 2008	8 May 2011	$0.99	$0.33	-

No options were granted during the six months to 31 December 2006.

Options granted as part of remuneration	Value of options granted during the year $	Value of options exercised during the year $	value of options lapsed during the year* $	Total value of options granted, exercised and lapsed during the year $	Remuneration consisting of options during the year $
Directors					
F Campbell	132,000	-	-	132,000	49.0%
R A Elliott	198,000	-	-	198,000	46.7%
W Hassell	132,000	-	-	132,000	49.0%
Executives					
D Scull	-	-	-	-	1.5%

* All options that lapsed during the year to 31 December 2007 had exercise prices in excess of the share price at the time of lapsing and hence had no value at the time of lapsing.

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

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

As of the date of this report, no options have been issued, exercised, lapsed or expired since 31 December 2007. There were no shares issued on the exercising of options in the periods to 31 December 2006 or 2007.

Cash Bonus

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

Other benefits

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

Employment Contracts

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

The Consolidated Entity has entered into an unlimited term employment agreement with each senior executive, excluding the Chief Executive Officer. The employment agreement outlines the components of remuneration paid to the executives 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.

The Chief Executive Officer is the only executive with a fixed term employment agreement. The employment agreement with the Chief Executive Officer, Mr Howard McLaughlin, expires on 30 June 2008. Under the terms of the employment agreement the Company may terminate the agreement prior to 30 June 2008 (other than for cause) by providing an amount equivalent to the greater of 12 months notice or the balance of the term. In the case of either early termination or non-renewal at 30 June 2008, 400,000 of the Chief Executive's Series 2 performance rights will vest. These, and any other vested rights must be exercised before the earlier of the last exercise date of the rights (12 January 2010 for Series 1 and 2 July 2012 for Series 2) and 3 months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which employment ceases.

The Chief Executive Officer may terminate the agreement by giving three months notice. Upon termination by the Chief Executive Officer, unvested options and performance rights will expire immediately and vested options and performance rights will expire three months after termination. As at 31 December 2007, there are no other 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 Directors' and executive officers' 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 Employment	Share-Based Payments		Total	Total Performance Related
Year to 31 Dec 2007	Salary & Fees $	Cash Bonus(v) $	Non Monetary Benefits $	Superannuation $	Options (i) $	Performance Rights (ii) $	$	
Directors								
R.A. Elliott	69,000	-	-	6,210	66,000	-	141,210	46.74%
F.D. Campbell	45,780	-	-	-	44,000	-	89,780	49.01%
W.R.B. Hassell	42,000	-	-	3,780	44,000	-	89,780	49.01%
H.M. McLaughlin	377,314	200,000	-	12,908	-	111,659	701,881	44.40%
J.A. Cruickshank(iv)	298,240	211,464	8,493	6,343	-	73,749	598,289	47.67%
Total	832,334	411,464	8,493	29,241	154,000	185,408	1,620,940	
Executives								
D.J. Rich	270,000	210,000	21,076	12,908	-	74,609	588,593	48.35%
D.M. Scull	260,542	126,279	9,029	-	6,264	6,210	408,324	33.98%
Total	530,542	336,279	30,105	12,908	6,264	80,819	996,917	

	Short-Term			Post Employment	Share-Based Payments		Total	Total Performance Related
Six Months to 31 Dec 2006	Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Superannuation $	Options (i) $	Performance Rights (ii) $	$	
Directors								
R.A. Elliott	30,000	-	-	2,700	-	-	32,700	-
F.D. Campbell	19,075	-	-	-	-	-	19,075	-
W.R.B. Hassell	17,500	-	-	1,575	-	-	19,075	-
H.M. McLaughlin	188,657	-	-	6,343	76,167	36,869	308,036	36.70%
J.A. Cruickshank	111,930	-	565	6,343	-	22,121	140,959	15.69%
Total	367,162	-	565	16,961	76,167	58,990	519,845	
Executives								
D.J. Rich	122,930	-	566	6,343	2,278	27,361	159,478	18.59%
D.M. Scull	124,378	-	4,628	-	15,660	22,121	166,787	22.65%
Total	247,308	-	5,194	6,343	17,938	49,482	326,265	

(i) Although a value has been attributed to the options and expensed in the financial statements, it should be noted that the directors and executives have not received this amount and the options may have no actual financial value unless the options achieve their exercise price as set out in the table on page 7 above under "Options".

(ii) Although a value has been attributed to the performance rights and expensed in the financial statements, it should be noted that the directors and executives have not received this amount and the performance rights may have no actual financial value unless the predetermined performance hurdles are achieved.

(iii) Directors' liability insurance premiums are not included due to the confidentiality clause in the insurance contract.

(iv) During the year Mr Cruickshank was also paid an amount of USD 329,378 to cover both the initial costs of his relocating to the USA and the differential living costs between Dallas and Perth estimated over a three year which is the intended duration of his relocation to the USA.

(v) At its meeting of 1 February 2007 the Board approved payment of a cash bonus of $200,000 each to H.M. McLaughlin, J.A. Cruickshank and D.J. Rich as reward for their successful completion of the sale of the Company's Turkish subsidiary (Amity Oil International Pty Ltd) to Zorlu Petrogas ("Zorlu") for USD 40.4 million in October 2005.

D.M. Scull was granted a bonus of USD 100,000 at the meeting of 1 February 2007 for his role in establishing a presence and portfolio in the US.

DIRECTORS' REPORT (Cont.)

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. There is no monetary limit to the extent of this indemnity.

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

11. RISK MANAGEMENT

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

The Board, through the Audit and Compliance Committee, maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

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

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non-financial KPIs.
- Regular reviews of the risk register by the Audit and Compliance Committee and subsequent reporting to the Board.

12. STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the year ended 31 December 2007 were as follows:

An increase in share capital from $59,682,000 to $59,767,000 as follows:	$'000
Opening Balance, 1 January 2007	59,682
On-market buy-back of 275,475 fully paid ordinary shares at an average price of $0.780	(215)
Issue of 697,675 new shares to Cornell Partners at $0.43 on the implementation and activation of an equity line of credit facility (see below)	300
Closing Balance, 31 December 2007	59,767

Apart from the items set out below, there have been no ordinary shares issued, bought back or cancelled between the reporting date and the date of completion of these financial statements.

a) On 29 January 2008 Antares Energy Limited issued 229,477 new shares to Cornell Partners for $90,000 under the equity line of credit facility (see below).

Equity Line of Credit Facility

On 18 December 2007 the Company announced it had secured a A$20,000,000 facility with US-Based Investment Fund YA Global Investments, LP, doing business as Cornell Capital Partners L.P. (Cornell).

Under the terms of the facility, the Company could, at its discretion, issue shares to Cornell at any time until the expiry date of 17 December 2010, up to a total aggregate value of A$20,000,000.

Generally, the Company could at its absolute discretion, from time to time, draw down up to A$300,000 in any 10-trading day period.

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

Under the agreement any trading day where the Company's share price (VWAP) is less than $0.2132 is excluded from the pricing period of a draw down and the draw down amount reduced accordingly. The Company's shares are currently trading below $0.2132, hence the Company effectively cannot draw down on the facility until the share price rises above $0.2132. The Company has been discussing modified terms with Cornell but no agreement has been reached as at the date of this report.

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since 31 December 2007 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

Yellow Rose Project

Since 31 December 2007 the Consolidated Entity has exercised options to lease 4,228 acres of land within the Yellow Rose project area for a three year term for a cost to the Consolidated Entity of USD 740,000.

Shaeffer Ranch Project

a) Land Position

Since 31 December 2007 the Consolidated Entity has exercised options to lease 7,400 acres of land within the Shaeffer Ranch project area for a three year term for a cost to the Consolidated Entity of USD 463,000.

b) Jean H. Freeborn-1 well

Since year end the Jean H. Freeborn-1 well has been tested in two separate zones with no commercial gas flows to surface being achieved. On 28 February 2007 the operator recommended temporarily suspending the well to further evaluate the data and seek a farminee for a second well. The Consolidated Entity agreed to this course of action and the well has been temporarily suspended.

The large Rowena structure still represents an exploration target despite the outcome of the current Jean H. Freeborn-1 well. The presence of sand on this flank of the structure is encouraging. Technical work is underway to map the sand units and look for thicker sections to drill with a second well. We will seek a farminee to participate in the next well.

Capital Raising

On 29 January 2008 Antares Energy Limited issued 229,477 new shares to Cornell Partners for $90,000 under the equity line of credit facility. Refer to Note 19 for information on the equity line of credit facility.

14. LIKELY DEVELOPMENTS AND RESULTS

This has been a terrible year for the Company and its shareholders. The Board has followed down the path outlined in our three year Strategic Plan because it believed the plan would generate appropriate rewards. It hasn't. The share price has collapsed as a consequence of our lack of operational success. It is the Board's intention to rectify this and turn the Company around. The cash flow is negative. This is being addressed in two ways: increasing production, and substantial cutting of costs.

As to increasing production in the near term, Antares will participate in the second West Wharton well (Stewart-1), and if that is successful, in further West Wharton wells, drilled at approximately three month intervals. At Oyster Creek, we await the completion of Harrison-2, and if that provides the sustained production that we anticipate, we may drill Harrison-3. Based on drilling indications, we expect that Harrison-2 will have multiple pay zones. The independent reserves estimate set out in section 7 above supports the Board's strategy of developing these two projects.

The Company currently has cost burdens for staff and overheads that are no longer appropriate for our market capitalisation. Costs will be trimmed by the Board reducing in size from five to three. Managing Director Howard McLaughlin has advised the Board that he will not seek a renewal of his employment contract when it ends on 30 June 2008. Non-executive Director Fraser Campbell has advised that he will resign from the Board effective 1 April 2008. As the Company does not operate any of its holdings, operational and support staff have been reduced effective from the end of their notice periods which have already commenced. The Vice President - New Ventures left the Company on 26 February 2008, and will not be replaced. The Company will not replace its Group Financial Controller who left the Company on 26 March 2008. However, it is the Board's intention to retain its exploration staff in the Dallas office. They will continue to evaluate Antares' holdings with a view to generating our own prospects. It is intended to retain a small budget for seismic purchase and land leasing, in furtherance to this end. As staff numbers reduce, office space and overheads will also be cut back. The steps outlined are intended to turn the Company's cash flow, excluding well costs, from negative to positive almost immediately.

With the near-term development of the West Wharton and Oyster Creek projects, the Company expects to rapidly increase its cash flow. Both projects are pipeline connected, and the prices being received for product is at the upper end of our expectations. Quoted prices for gas on 26 March 2008 were USD 9.56 per Mcf of gas and USD 105.61 per barrel for oil. It is expected that these prices will remain firm. As production increases our financial position will strengthen. While it is the Board's preferred position to generate any required working capital from the proceeds of production, it may look to monetising some assets, as it did with the Company's Oklahoma holdings. If these preferred steps are unsuccessful, the Company has the capacity to issue equity, dilutive though it may be to current shareholders.

Our intermediate term exploration will be focused on the Yellow Rose Project, which contains a variety of Edwards limestone plays. We are currently negotiating a farmout for drilling in conjunction with our partner and Operator, SIDC. We have leased a substantial acreage spread in Yellow Rose and competitors are currently drilling Edwards prospects adjacent to our holdings. We view the development of Yellow Rose as having substantial upside for the Company.

Antares has a large acreage holding in Shaeffer Ranch and will assist the Operator in attracting a farminee. Antares believes there is still considerable potential in the holding, but will be required to reduce its interest due to the high costs of drilling to the depth of Rowena.

The Board has a clear strategy in place to cut costs and increase production.

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.

DIRECTORS' REPORT (Cont.)

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 December 2007.

Non-audit services

Local and international tax services to the value of $71,000 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.

R.A. ELLIOTT
Chairman

West Perth, Western Australia
31 March, 2008

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Perth WA 6000 Australia
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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 2007, 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

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner
Perth
31 March 2008

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.

In accordance with the ASX Corporate Governance Council's (the Council) "Principles of Good Corporate Governance and Best Practice Recommendations" this Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed for all or part of the year, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is structured with reference to the Council's principles and recommendations which are as follows:

Principle 1	Lay solid foundations for management and oversight;
Principle 2	Structure the Board to add value;
Principle 3	Promote ethical and responsible decision making;
Principle 4	Safeguard integrity in financial reporting;
Principle 5	Make timely and balanced disclosure;
Principle 6	Respect the rights of shareholders;
Principle 7	Recognise and manage risk;
Principle 8	Encourage enhanced performance;
Principle 9	Remunerate fairly and responsibly;
Principle 10	Recognise the legitimate interests of shareholders.

The Company's corporate governance practices were in place throughout the year ended 31 December 2007 and were fully compliant with the Council's best practice recommendations except where noted. In August 2007 the ASX Corporate Governance Council released the Corporate Governance Principals and Recommendations (2nd Edition). Subsequent to this the Company undertook a review of its corporate governance policies and a new set of policies were adopted with effect from 1 January 2008.

Copies of all current Corporate Governance documentation is available on our website at: www.antaresenergy.com (Investor Relations/ Corporate Governance).

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 2. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from suppliers and the second being the total sales to all customers by the supplier.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are considered to be independent:

Name	Position
R.A. Elliott	Chairman, Non-Executive Director
F.D. Campbell	Non-Executive Director
W.R.B. Hassell	Non-Executive Director

Recommendation 2.1 recommends that the majority of the Board be independent directors. This was the case throughout the period.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director at the date of this report is as follows:

Name	Term in Office
R.A. Elliott	6.5 years
F.D. Campbell	6.0 years
W.R.B. Hassell	3.5 years
H.M. McLaughlin	4.5 years
J.A. Cruickshank	3.5 years

The Company's Corporate Governance Policy states that the Board should have at least five directors.

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including where necessary, selecting candidates for the position of director. The Nomination Committee comprises a majority of independent directors. The Nomination Committee comprised the following members throughout the period:

R.A. Elliott (Chairman)
F.D. Campbell
W.R.B. Hassell
H.M. McLaughlin
J.A. Cruickshank

Given the small number of directors, currently all directors are members of the Nomination Committee. For details of directors' attendance at meetings of the Nomination Committee, refer to page 3 of the Directors' Report.

Audit and Compliance Committee

The Board has established an Audit and Compliance Committee which operates under a terms of reference (charter) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control (including the maintenance of a risk register) for the management of the Consolidated Entity to the Audit and Compliance Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Compliance Committee are non-executive directors.

The members of the Audit and Compliance Committee during the period were:

W.R.B. Hassell (Chairman)
F.D. Campbell
R.A. Elliott

For details regarding the qualifications of the members, refer to page 2 of the Directors' Report.

For details on the number of meetings of the Audit and Compliance Committee held during the year and the attendees at those meetings refer to page 3 of the Director's Report.

Ethical and Responsible Decision Making

The Board of the Company actively promotes ethical and responsible decision-making. The standard of ethical behaviour required by directors and officers (including the Managing Director and Chief Executive Officer and Chief Financial Officer), 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.

External Auditor

The Company's policy for the appointment of an external auditor is published on the Company's website. The Company's auditors have an ongoing policy of audit engagement partner rotation every five years. As per the Audit and Compliance Committee Terms of Reference, the Audit and Compliance Committee has recently conducted a review of the external auditor. The Committee reviewed independence, performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted an internal performance evaluation which involved a review of the Board's performance.

Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board has a separate Risk Management policy. The Board oversees the risk management of the Company through the Audit and Compliance Committee.

The Board, through the Audit and Compliance Committee, maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

CORPORATE GOVERNANCE STATEMENT (Cont.)

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

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non-financial KPIs.

- Regular reviews of the risk register by the Audit and Compliance Committee and subsequent reporting to the Board.

Recommendation 7.1 recommends companies have an internal audit function. The Company does not have an internal audit function as the Board considers the Company is not yet large enough to justify the cost of doing so. Recommendation 7.3 recommends the Company make a description of its internal compliance and control system publicly available. At this stage the Company has not made such a description separately available as it considers that the information is already covered in the Risk Management Policy document.

Remuneration

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.

For details on the amount of remuneration and all monetary and non-monetary components paid to the (non-director) executives during the year and for all directors, refer to page 6 of the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established a Remuneration Committee, comprising three non-executive directors. Members of the Remuneration Committee throughout the year were:

F.D. Campbell (Chairman)
R.A. Elliott
W.R.B. Hassell

For details on the number of meetings of the Remuneration Committee held during the year and the attendees at those meetings, refer to page 3 of the Directors' Report.

Recognise the legitimate Interests of Stakeholders

The Board recognises the Company has a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole and is therefore committed to appropriate corporate practices.

The Board has a company-wide Code of Conduct which is published on the Company's website.

Income Statement
Antares Energy Limited and its Controlled Entities
For the Year Ended 31 December 2007

	Note	Consolidated		Parent	
		12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Continuing Operations					
Revenue	3	3,763	1,875	2,945	653
Cost of goods sold	4	(1,369)	(741)	-	-
Gross profit		2,394	1,134	2,945	653
Other income	3	1,774	16	1,859	6
Employee benefits	4	(4,778)	(1,489)	(2,837)	(912)
Other expenses excluding finance costs	4	(34,797)	(1,920)	(40,826)	(3,260)
Finance costs	4	(2,337)	(637)	(2,329)	(637)
Loss before income tax		(37,744)	(2,896)	(41,188)	(4,150)
Income tax benefit	5	358	-	358	-
Loss after tax		**(37,386)**	**(2,896)**	**(40,830)**	**(4,150)**
Net Loss attributable to members of Antares Energy Limited		**(37,386)**	**(2,896)**	**(40,830)**	**(4,150)**
Earnings per share (cents per share)					
Basic (loss)/profit per share for the period	7	(23.6)	(1.8)		
Diluted (loss)/profit per share for the period	7	(23.6)	(1.8)		

The income statement is to be read in conjunction with the notes to the financial statements.

Balance Sheet

Antares Energy Limited and its Controlled Entities

As at 31 December 2007

	Note	Consolidated 31 December 2007 $'000	Consolidated 31 December 2006 $'000	Parent 31 December 2007 $'000	Parent 31 December 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	8	9,040	18,298	7,456	17,211
Trade and other receivables	9	528	2,395	37	81
Prepayments	10	2,294	43	24	19
		11,862	20,736	7,517	17,311
Assets classified as held for sale	6	-	8,387	-	-
Total current assets		**11,862**	**29,123**	**7,517**	**17,311**
NON-CURRENT ASSETS					
Trade and other receivables	9	-	-	8,542	27,410
Property, plant and equipment	12	148	177	20	33
Oil and gas properties	13	2,793	358	-	-
Deferred exploration and evaluation expenditure	14	3,679	17,232	-	-
Other assets	11	-	-	-	33
Total non-current assets		**6,620**	**17,767**	**8,562**	**27,476**
TOTAL ASSETS		**18,482**	**46,890**	**16,079**	**44,787**
CURRENT LIABILITIES					
Trade and other payables	16	2,580	2,497	592	486
Provisions	18	429	167	109	122
		3,009	2,664	701	608
Liabilities directly associated with the assets classified as held for sale	6	-	47	-	-
Total current liabilities		**3,009**	**2,711**	**701**	**608**
NON-CURRENT LIABILITIES					
Provisions	18	142	-	47	-
Interest-bearing loans and borrowings	17	20,304	9,364	20,304	9,364
Total non-current liabilities		**20,446**	**9,364**	**20,351**	**9,364**
TOTAL LIABILITIES		**23,455**	**12,075**	**21,052**	**9,972**
NET ASSETS / (LIABILITIES)		**(4,973)**	**34,815**	**(4,973)**	**34,815**
EQUITY/ (DEFECIENCY)					
Contributed equity	19	59,767	59,682	59,767	59,682
Reserves		(464)	2,023	4,105	3,148
Accumulated losses		(64,276)	(26,890)	(68,845)	(28,015)
TOTAL EQUITY / (DEFECIENCY)		**(4,973)**	**34,815**	**(4,973)**	**34,815**

The balance sheet is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

Antares Energy Limited and its Controlled Entities

For the Year Ended 31 December 2007

CONSOLIDATED

6 months to 31 December 2006	Ordinary Share Capital $'000	(Accumulated Losses)/ Retained Earnings $'000	Foreign Currency Reserve $'000	Convertible Note Premium Reserve $'000	Share Option Reserve $'000	Total $'000
Balance at 1 July 2006	59,703	(23,994)	129	800	1,511	38,149
Foreign currency translation differences	-	-	(1,254)	-	-	(1,254)
Total income and expense recognised directly in equity	-	-	(1,254)	-	-	(1,254)
Loss for the period	-	(2,896)	-	-	-	(2,896)
Total income/expense for the period	-	(2,896)	(1,254)	-	-	(4,150)
Share buy back	(21)	-	-	-	-	(21)
Equity component of convertible notes	-	-	-	575	-	575
Cost of Share based payments	-	-	-	-	262	262
Balance at 31 December 2006	**59,682**	**(26,890)**	**(1,125)**	**1,375**	**1,773**	**34,815**

12 months to 31 December 2007

Balance at 1 January 2007	59,682	(26,890)	(1,125)	1,375	1,773	34,815
Foreign currency translation differences	-	-	(3,444)	-	-	(3,444)
Total income and expense recognised directly in equity	-	-	(3,444)	-	-	(3,444)
Loss for the period	-	(37,386)	-	-	-	(37,386)
Total income/expense for the period	-	(37,386)	(3,444)	-	-	(40,830)
Share buy back	(215)	-	-	-	-	(215)
Issue of shares	300	-	-	-	-	300
Equity component of convertible notes net of tax	-	-	-	259	-	259
Cost of Share based payments	-	-	-	-	698	698
Balance at 31 December 2007	**59,767**	**(64,276)**	**(4,569)**	**1,634**	**2,471**	**(4,973)**

PARENT

6 months to 31 December 2006	Ordinary Share Capital $'000	(Accumulated Losses)/ Retained Earnings $'000	Foreign Currency Reserve $'000	Convertible Note Premium Reserve $'000	Share Option Reserve $'000	Total $'000
Balance at 1 July 2006	59,703	(23,865)	-	800	1,511	38,149
Total income and expense recognised directly in equity	-	-	-	-	-	-
Loss for the period	-	(4,150)	-	-	-	(4,150)
Total income/expense for the period	-	(4,150)	-	-	-	(4,150)
Share buy back	(21)	-	-	-	-	(21)
Equity component of convertible notes	-	-	-	575	-	575
Cost of Share based payments	-	-	-	-	262	262
Balance at 31 December 2006	**59,682**	**(28,015)**	**-**	**1,375**	**1,773**	**34,815**

12 months to 31 December 2007

			-			
Balance at 1 January 2007	59,682	(28,015)	-	1,375	1,773	34,815
Total income and expense recognised directly in equity	-	-	-	-	-	-
Loss for the period	-	(40,830)	-	-	-	(40,830)
Total income/expense for the period	-	(40,830)	-	-	-	(40,830)
Share buy back	(215)	-	-	-	-	(215)
Issue of shares	300	-	-	-	-	300
Equity component of convertible notes net of tax	-	-	-	259	-	259
Cost of Share based payments	-	-	-	-	698	698
Balance at 31 December 2007	**59,767**	**(68,845)**	**-**	**1,634**	**2,471**	**(4,973)**

The statement of changes in equity is to be read in conjunction with the notes to the financial statements.

Cash Flow Statement
Antares Energy Limited and its Controlled Entities
For the Year Ended 31 December 2007

	Note	Consolidated		Parent	
		12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Cash flows from operating activities					
Receipts from customers		2,715	1,254	92	-
Payments to suppliers and employees		(4,429)	(1,507)	(2,747)	(755)
Interest received		845	732	792	709
Interest paid		(1,770)	(503)	(1,769)	(503)
Dividends received		-	-	117	-
Net cash inflows / (outflows) from operating activities	8	**(2,639)**	**(24)**	**(3,515)**	**(549)**
Cash flows from investing activities					
Payments for property, plant and equipment		(81)	(58)	(3)	(20)
Exploration, evaluation and development expenditure		(26,057)	(13,943)	-	-
Loans to subsidiaries		-	-	(15,231)	(12,051)
Proceeds on disposal of assets held for sale		5,013	-	-	-
Proceeds from sale of other assets		9	-	9	-
Success Fee received		1,765	-	1,765	-
Proceeds from insurance claim		2,262	-	-	-
Proceeds from sale of property, plant and equipment		-	6	-	6
Net cash inflows / (outflows) from investing activities		**(17,089)**	**(13,995)**	**(13,460)**	**(12,065)**
Cash flows from financing activities					
Proceeds from borrowings		11,184	-	11,184	-
Repayment of borrowings		-	(61)	-	(61)
Payments for shares bought back on-market		(215)	(21)	(215)	(21)
Net cash inflows / (outflows) from financing activities		**10,969**	**(82)**	**10,969**	**(82)**
Net (decrease)/increase in cash and cash equivalents held		**(8,759)**	**(14,101)**	**(6,006)**	**(12,696)**
Cash and cash equivalents at the beginning of the period		18,298	33,909	17,211	32,827
Effects of exchange rate changes on cash		(499)	(1,510)	(3,749)	(2,920)
Cash and cash equivalents at the end of the period	8	**9,040**	**18,298**	**7,456**	**17,211**

The cash flow statement is to be read in conjunction with the notes to the financial statements.

NOTE 1 BASIS OF PREPARATION

The financial report of Antares Energy Limited and its subsidiaries ("the Consolidated Entity") for the year ended 31 December 2007 was authorised for issue in accordance with a resolution of the Directors on 28 March 2008.

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 and going concern

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.

During 2006 the Company applied to the Australian Securities & Investment Commission (ASIC) to change its financial year and the financial year of its subsidiary to allow for the preparation of consolidated accounts. Approval was received from ASIC on 21 December 2006 providing relief under subsection 340(1) from the requirements of subsection 323D(2) confirming the change of financial year end. The financial report therefore covers the 12 month period ended 31 December 2007 with the comparative period being the 6 month period ended 31 December 2006.

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.

Going concern
As at 31 December 2007, the Group has a net asset deficiency of $4.97 million and has incurred an operating loss of $37.39 million for the year then ended. In addition, the Group's cash balance has reduced from $9.0 million at 31 December 2007 to approximately $4.4 million at 31 March 2008.

Notwithstanding this matter, management and the Directors are satisfied the Group can continue on a going concern basis after having regard to the following mitigating factors:

(i) Management's cashflow forecasts through to 31 March 2009 demonstrates that the Group has sufficient cash resources to meet its committed operational and capital expenditure over this period. The cashflow forecasts reflect a significant reduction in the Group's general and administration costs from the prior year primarily in relation to employee and associated on-costs and contractor costs. Plans for the reduction in the majority of these costs have been implemented as at the date of this report.

(ii) The net asset deficiency is due to the convertible notes. These notes are not due for repayment until 31 October 2009, at the earliest, as the net asset deficiency does not constitute a breach of the convertible note trust deed.

(iii) Of the reduction in cash since 31 December 2007, approximately $3.1 million was attributable to funding non-recurring capital expenditure including leasing of acreage and drilling costs incurred.

(iv) The Company has received an independent reserves estimate from a suitably qualified consultant that supports its cashflow forecasts and asset values.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Standards (IFRS). 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 2007:

Standard / Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	31 December 2009
AASB 101 (revised September 2007) 'Presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	31 December 2009
AASB 123 'Borrowing Costs' – revised standard and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	31 December 2009
AASB 2007-4 'Amendments to Australian Accounting Standards arising from ED 151 and other amendments'	1 July 2007	31 December 2008
AASB 2007-7 'Amendments to Australian Accounting Standards'	1 July 2007	31 December 2008
AASB 2008-1 Amendments to Australian Accounting Standard -Share-based Payments: Vesting Conditions and Cancellations.	1 January 2009	31 December 2009
AASB Interpretation 11 'AASB 2 – Group and Treasury Share Transactions' and AASB 2007-1 "Amendments to Australian Accounting Standards arising from AASB Interpretation 11'	1 March 2007	31 December 2008

NOTE 1 BASIS OF PREPARATION (CONT.)

AASB Interpretation 12 'Service Concession Arrangements' and Interpretation 4 'Determining whether an arrangement contains a lease' (revised), Interpretation 129 'Service Concession Arrangements: Disclosures' (revised) and AASB 2007-2 'Amendments to Australian Accounting Standards arising from AASB Interpretation 12'	1 January 2008	31 December 2008
AASB Interpretation 13 'Customer Loyalty Programmes'	1 July 2008	31 December 2009
AASB Interpretation 14 'AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'	1 January 2008	31 December 2008
Interpretation 1003 'Australian Petroleum Resource Rent Tax'	Reporting periods ending 30 June 2008	31 December 2008

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

The Group has adopted AASB 7 Financial Instruments; Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Antares Energy Limited and its subsidiaries during the year ended 31 December 2007 ("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

(d) Property, plant and equipment

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

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

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

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

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

Category	Method
Plant and equipment	Straight line at 20% to 33%.
Oil and gas properties	Over the life of proved plus probable reserves (UOP).
Leasehold Improvements	Straight line over the shorter of useful life and the lease term.

Currently there are no buildings owned by the Consolidated Entity.

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

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

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

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

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

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

NOTE 1 BASIS OF PREPARATION (CONT.)

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

(e) 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 that, at balance date, has not been recognised as an area of interest, as assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- An area of interest is recognised, 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 and the recognition of an area of interest. 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.

(f) 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).

(g) 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(d)).

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

(h) 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.)

(i) Cash and cash equivalents

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

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

(j) 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.

(k) Provisions

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

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

(l) Employee benefits

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

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

(m) Leases

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

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

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

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

(n) Revenue recognition

Revenue is recognised 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.

1. **BASIS OF PREPARATION (CONT.)**

(o) Income tax

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

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

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

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

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

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

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

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

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

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

(p) Other taxes

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

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

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

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

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

(q) Interest bearing loans & borrowings - Convertible notes

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

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

(r) 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.

(s) Interest in a jointly controlled asset

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

NOTE 1 BASIS OF PREPARATION (CONT.)

(t) Issued capital

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

(u) 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.

(v) 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.

(w) 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 their domicile, 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.

All exchange differences in the consolidated financial report are taken to the income statement.

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

Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined.

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

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

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

(x) Share-based payment transactions

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

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

- Options granted to directors, senior executives and employees under the Employee Option Plan which was terminated on 7 November 2004; and
- Performance rights granted under the Performance Rights Plan to employees. Non-executive directors are not entitled to participate in this plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate model.

In valuing equity-settled transactions, account is taken of performance conditions where the conditions are either linked to the price of the shares of Antares Energy Limited, or will impact on the number of securities vesting.

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).

NOTE 1 BASIS OF PREPARATION (CONT.)

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

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

(y) Investments in controlled entities

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

(z) Segment reporting

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

(aa) Non-current assets and disposal groups held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

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

The Consolidated Entity obtained an independent external assessment of the its reserves as at 31 December 2007 and these were not materially different from the internal 2P reserve estimates used in the preparation of the financial statements.

Impairment of assets
The Consolidated Entity's accounting policy for impairment is set out at Note 1(f). 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 internal estimates of potential reserves, future production profiles, commodity prices and costs.

The carrying value of all oil and gas properties as at 31 December 2007 was $2,793,000 (31 December 2006: $3,595,000) of which $Nil (31 December 2006: $3,237,000) is included in current assets as non-current assets classified as held for sale. The balance of $358,000 at 31 December 2006 was classified in the balance sheet as oil and gas properties.

NOTE 1 BASIS OF PREPARATION (CONT.)

Share-based payment transactions
The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using a Black-Scholes option-pricing model using the assumptions detailed in note 15. 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 15.

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(g).

(ii) Critical Judgements in Applying the Consolidated Entity's Accounting Policies

Exploration and evaluation
The Consolidated Entity's accounting policy for exploration and evaluation is set out at Note 1(e). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been or will be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, it is determined that the Consolidated Entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

NOTE 2 SEGMENT REPORTING

(a) Geographical Segments

The Consolidated Entity's primary segment reporting format is geographical segments as the Consolidated Entity's risks and rates of return are effected predominantly by the fact that it operates in different countries.

During the year the Consolidated Entity operated in two geographical segments, being the USA and Australia.

(b) Business Segment

The Consolidated Entity operates in the hydrocarbon exploration and production business segment only.

Primary Reporting - Geographical Segments 12 months to 31 December 2007	USA $'000	Australia $'000	Total Operations $'000
REVENUE			
Total segment revenue - External Sales	2,974	-	2,974
Unallocated revenue			789
Inter-segment elimination			-
Total Revenue from operations			3,763
RESULT			
Segment Result	(34,026)	(1,857)	(35,883)
Unallocated expense			(1,541)
Foreign exchange (loss)			(320)
Net profit/(loss) before income tax			(37,744)
Income tax benefit/(expense)			358
Net (Loss)/Profit			(37,386)
ASSETS			
Segment Assets	10,939	7,543	18,482
Unallocated Assets			-
Total Assets			18,482
LIABILITIES			
Segment Liabilities	(2,403)	(21,052)	(23,455)
Tax Liabilities			-
Total Liabilities			(23,455)
OTHER			
Capital expenditure	22,630	3	22,633
Depreciation	85	16	101
Amortisation	665	-	665
Convertible notes implicit interest	-	373	373
Share based payments expense	-	698	698
Unwinding of present value discount	8	-	8
Exploration written off	17,819	-	17,819
Impairment	16,618	-	16,618
Total non-cash expenses	35,195	1,087	36,282

NOTE 2 SEGMENT REPORTING (CONT.)

Primary Reporting - Geographical Segments (Cont.)

6 months to 31 December 2006	USA $'000	Australia $'000	Total Operations $'000
REVENUE			
External Sales	1,199	-	1,199
Other Revenue	23	653	676
Total segment revenue	1,222	653	1,875
Inter-segment elimination			-
Total Revenue from operations			1,875
RESULT			
Segment Result	(82)	(1,170)	(1,252)
Unallocated expense			-
Foreign exchange (loss)			(1,644)
Net profit/(loss) before income tax			(2,896)
Income tax benefit/(expense)			-
Net (Loss)/Profit			(2,896)
ASSETS			
Segment Assets	21,346	17,157	38,503
Assets Classified as Held for Sale	8,387	-	8,387
Total Segment Assets	29,733	17,157	46,890
Unallocated Assets			-
Total Assets			46,890
LIABILITIES			
Segment Liabilities	(2,278)	(9,750)	(12,028)
Liabilities directly associated with the assets classified as held for sale	(47)	-	(47)
	(2,325)	(9,750)	(12,075)
Tax Liabilities			-
Total Liabilities			(12,075)
OTHER			
Capital expenditure	12,954	20	12,974
Depreciation	36	8	44
Amortisation	464	-	464
Convertible notes amortisation	-	44	44
Convertible notes implicit interest	-	90	90
Exploration written off	-	-	-
Impairment	197	-	197
Total non-cash expenses	697	142	839

NOTE 3 REVENUE AND OTHER INCOME

	Consolidated		Parent	
	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
a) Revenue				
Sale of product	2,974	1,199	-	-
Interest Revenue	789	676	2,853	653
Rendering of services	-	-	92	-
	3,763	1,875	2,945	653

NOTE 3 REVENUE AND OTHER INCOME (CONT.)

	Consolidated		Parent	
	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
b) Other Income				
Gain on disposal of interest in leases	9	-	9	-
Gain on disposal of property, plant and equipment	-	6	-	6
Dividends received from controlled entities	-	-	85	-
Other – Success fee (i)	1,765	10	1,765	-
	1,774	16	1,859	6

(i) During the year the Consolidated Entity received a total of USD 1,577,000 in success fees, net of claims by Zorlu Petrogas in relation to the 2005 sale of shares in Amity Oil International Pty Ltd. On 4 December 2007, a Deed of Settlement and Release was executed between Antares Energy Limited and Zorlu Petrogas in which both companies agreed that upon a final payment of USD 882,000 by Zorlu Petrogas, all claims and demands were settled and both parties mutually released each other from all past and future liability. This USD 882,000 was received on 6 December 2007 and is included in the USD 1,577,000 total.

NOTE 4 EXPENSES AND LOSSES/(GAINS)

a) Expenses	Consolidated		Parent	
	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Cost of goods sold:				
Depreciation and amortisation expenses	665	464	-	-
Other production costs	704	277	-	-
Total cost of goods sold	1,369	741	-	-
Other expenses:				
Operating lease payments	167	107	90	50
Impairment of intercompany loan	-	-	36,215	131
General and Administrative expenses	3,902	1,903	1,481	732
Foreign exchange loss	320	1,644	3,749	2,837
Impairment of oil & gas properties (note 13)	16,618	197	-	-
Exploration expenditure written off (note 14)	17,819	-	-	-
Restoration costs expensed	95	-	-	-
Costs recovered/capitalised	(4,124)	(1,931)	(709)	(490)
	34,797	1,920	40,826	3,260
Finance costs:				
Convertible notes interest paid/payable	1,956	503	1,956	503
Convertible notes implicit interest (note17)	373	90	373	90
Convertible notes issue costs amortisation	-	44	-	44
Unwinding of present value discount	8	-	-	-
	2,337	637	2,329	637
Employee benefits				
Wages and salaries	3,702	1,121	1,889	592
Share based payments	698	262	698	262
Leave provisions	258	103	130	55
Other	120	3	120	3
	4,778	1,489	2,837	912
Reconciliation of depreciation and amortisation:				
Depreciation of property, plant & equipment	101	44	16	8
Amortisation of oil and gas properties	665	464	-	-
Total depreciation and amortisation expenses	766	508	16	8
- included in cost of goods sold	665	464	-	-
- included in general and administrative	101	44	16	8
Total depreciation and amortisation charges	766	508	16	8

NOTE 5 INCOME TAX	Consolidated 12 months to 31 December 2007 $'000	Consolidated 6 months to 31 December 2006 $'000	Parent 12 months to 31 December 2007 $'000	Parent 6 months to 31 December 2006 $'000
The major components of income tax expense are:				
Income Statement				
Current Income Tax				
Current Income Tax Charge	(4,031)	(286)	(44)	(264)
Deferred Income Tax				
Relating to origination and reversal of timing differences	(8,971)	(505)	(1,239)	(863)
DTA not brought to account	12,644	791	925	1,127
	(358)	-	(358)	-
(a) A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:				
Accounting profit /(loss) before income tax	(37,744)	(2,896)	(41,188)	(4,150)
At Group's statutory income tax rate of 30%	(13,211)	(869)	(12,356)	(1,245)
Tax effect of permanent differences:				
- intercompany debt writeoff	-	-	10,864	40
- Share based payments	209	78	209	78
- DTA not brought to account	12,644	791	925	1,127
Income tax (benefit) / expense	(358)	-	(358)	-

Deferred tax balances CONSOLIDATED	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
12 months to 31 December 2007				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	851	96	-	947
Provisions	50	142	-	192
Section 40 – 880 costs	-	24	-	24
Exploration costs	-	8,597	-	8,597
Losses available for offset against future taxable income (USA)	1,221	3,987	-	5,208
Losses available for offset against future taxable income (Australian)	9,865	44	-	9,909
	11,987	12,890	-	24,877
Deferred tax liabilities				
Convertible Notes	-	112	(358)	(246)
	-	112	(358)	
Less Unrecognised Net Deferred Tax Assets	(11,987)	(12,644)	-	(24,631)
	-	358	(358)	-
6 months to 31 December 2006				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	-	851	-	851
Provisions	39	11	-	50
Losses available for offset against future taxable income (USA)	1,194	27	-	1,221
Losses available for offset against future taxable income (Australian)	8,986	879	-	9,865
	10,219	1,768	-	11,987
Less Unrecognised Net Deferred Tax Assets	(10,219)	(1,768)	-	(11,987)
	-	-	-	-

NOTE 5 INCOME TAX (CONT).

PARENT	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
12 months to 31 December 2007				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	851	1,022	-	1,873
Provision for diminution	4,611	71	-	4,682
Provisions	37	10	-	47
Section 40 – 880 costs	-	24	-	24
Losses available for offset against future taxable income (Australian)	9,865	44	-	9,909
	15,364	1,171	-	16,535
Deferred tax liabilities				
Convertible Notes	-	112	(358)	(246)
	-	112	(358)	
Less Unrecognised Net Deferred Tax Assets	(15,364)	(925)	-	(16,289)
	-	358	(358)	-
6 months to 31 December 2006				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	-	851	-	851
Provision for diminution	-	4,611	-	4,611
Provisions	25	12	-	37
Losses available for offset against future taxable income (Australian)	8,986	879	-	9,865
	9,011	6,353	-	15,364
Less Unrecognised Net Deferred Tax Assets	(9,011)	(6,353)	-	(15,364)
	-	-	-	-

	Consolidated		Parent	
Unrecognised deferred tax balances	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
The following deferred tax assets have not been brought to account as follows:				
Tax losses - revenue (Australian)	9,909	9,865	9,909	9,865
Tax losses (US)	5,208	1,221	-	-
Temporary difference – exploration	8,597	-	-	-
Temporary difference – provision for diminution	-	-	4,682	4,611
Temporary differences – Section 40-880	24	-	24	-
Temporary differences – Convertible Note (equity)	(246)	-	(246)	-
Temporary differences – Provisions	192	50	47	37
Temporary difference – accumulated foreign exchange movement	947	851	1,873	851
	24,631	11,987	16,289	15,364

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.

Franking Credits

Antares Energy Limited does not have any franking credits at 31 December 2007.

NOTE 6 ASSETS HELD FOR SALE

In late October 2006 following a project review and strategy meeting in Dallas, the Board agreed to a management recommendation to sell the Consolidated Entity's Oklahoma properties as these were not core to the future direction of the company. The sale process then commenced with data preparation and arrangement and the appointment of a selling agent. From 31 December 2006 the assets were classified as non-current assets held for sale.

On 18 December 2007 the Consolidated Entity completed the sale of its Oklahoma properties to Exoma Energy Limited for a total sale price of USD 4,350,000. The sale was effective from 1 December 2007 with all production after that date belonging to the purchaser. A charge of A$2,430,000 is recognised as impairment in the income statement in the line item "Expenses excluding finance costs" to reflect the difference between the final sale price received from Exoma Energy Limited on 18 December 2007 and the book value at that date.

a) The results of the assets held for sale are presented below.

	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Revenue	1,611	1,148
Expenses	(366)	(870)
Profit/(loss) before income tax from assets held for sale	1,245	278
Tax expense	-	-
Net profit/(loss) after tax from assets held for sale	1,245	278

b) The major classes of assets and liabilities of the Oklahoma based operations at balance date, measured at the lower of carrying amount and fair value less costs to sell were as follows:

	31 December 2007 $'000	31 December 2006 $'000
Assets		
Trade and other receivables	-	214
Inventory	-	7
Oil & gas properties (note 14)	-	4,517
Accumulated amortisation on oil and gas properties	-	(1,280)
Deferred exploration and evaluation expenditure (Note 15)	-	4,929
Assets classified as held for sale	-	8,387
Liabilities		
Trade Creditors	-	47
Liabilities directly associated with assets classified as held for sale	-	47

NOTE 7 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** 12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Net loss attributable to ordinary equity holders of the parent (used in calculating basic and diluted loss per share)	(37,386)	(2,896)
	31 December 2007 Thousands	31 December 2006 Thousands
Weighted average number of ordinary shares for basic loss per share	158,539	158,501
Effect of dilution and accretion:		
Vested performance rights not yet exercised	-	112
Share buy-backs	-	(249)
Issue of new shares due to vesting of performance rights	-	249
Weighted average number of ordinary shares adjusted for the effect of dilution	158,539	158,613

a) Options
None of the 1,675,000 options outstanding at 31 December 2007 have been included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2007. These options could potentially dilute earnings per share in the future. For details of these options refer to note 15.

b) Convertible notes
None of the convertible notes outstanding at 31 December 2007 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 17.

c) On 29 January 2008 Antares Energy Limited issued 229,477 new shares to Cornell Partners for $90,000 under the equity line of credit facility. Refer to Note 19 for information on the equity line of credit facility.

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Cash at bank and on hand	6,008	5,466	4,456	5,336
Short term deposits	3,032	12,832	3,000	11,875
	9,040	18,298	7,456	17,211

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

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

	Consolidated		Parent	
	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Reconciliation of net loss after tax to net cashflows				
Net loss	(37,386)	(2,896)	(40,830)	(4,150)
Non-cash Items and other adjustments:				
Depreciation and amortisation	766	508	16	8
Exploration expenditure written off	17,819	-	-	-
Impairment of oil and gas properties	16,618	197	-	-
Finance costs	373	134	373	134
Share based payments – employee benefits	698	262	698	262
Share based payments – equity line of credit facility	300	-	300	-
Gain on sale of property, plant and equipment	-	(6)	-	(6)
Loss on disposal of subsidiary	-	-	33	-
Classified as cash flows from investing activities	(1,774)	-	(1,774)	-
Provision for non-recovery of loans to controlled entities	-	-	36,215	131
Unwinding of the effect of discounting on provisions	8	-	-	-
Foreign exchange movement	320	1,644	3,749	2,837
Income tax benefit	(358)	-	(358)	-
Change in operating assets and liabilities:				
Decrease/(increase) in receivables	(182)	155	(2,076)	88
(Decrease)/Increase in creditors and payables	(22)	(61)	105	106
Increase in provisions	181	39	34	41
Net cash used in operating activities	(2,639)	(24)	(3,515)	(549)

NOTE 9 TRADE AND OTHER RECEIVABLES

Current				
Trade receivables (i)	482	15	-	-
Other receivables (ii)	46	2,380	37	81
	528	2,395	37	81
Non-current				
Related party receivables (iii)	-	-	60,361	43,014
Provision for non-recovery of intercompany loans	-	-	(51,819)	(15,604)
	-	-	8,542	27,410

(i) Trade receivables are non-interest bearing and are generally 30-90 day terms.
(ii) Other receivables includes insurance claims and accrued interest.
(iii) For information relating to related party receivables refer to note 23 (iii).

NOTE 10 PREPAYMENTS (CURRENT)

Prepayments	2,294	43	24	19

Prepayments include an amount of $2,228,000 which has been prepaid to a Joint Venture operator for the drilling of the Harrison-2 exploration well.

NOTE 11 OTHER ASSETS (NON-CURRENT)

Investments in controlled entities (note 23)	-	-	-	33

NOTE 12 PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Office equipment, vehicles and furniture - cost	717	661	412	409
Accumulated depreciation	(569)	(484)	(392)	(376)
Total Property, Plant and Equipment	148	177	20	33

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

Office equipment, vehicles and furniture				
Balance at start of period	177	171	33	21
Additions	82	57	3	20
Exchange differences from translation	(10)	(7)	-	-
Disposals - at cost	-	(30)	-	(30)
Depreciation	(101)	(44)	(16)	(8)
Disposals - accumulated depreciation	-	30	-	30
Balance at end of period	148	177	20	33

NOTE 13 OIL AND GAS PROPERTIES

Oil and gas properties				
- at cost	3,618	548	-	-
- accumulated amortisation	(825)	(190)	-	-
	2,793	358	-	-

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

At Cost				
Balance at start of period	548	4,377	-	-
Additions	1,181	531	-	-
Impairment*	(14,187)	(197)	-	-
Transfer from exploration and evaluation	15,927	574	-	-
Transfer to assets held for sale	-	(4,517)	-	-
Foreign exchange translation	149	(220)	-	-
Balance at end of period	3,618	548	-	-
Accumulated amortisation				
Balance at start of period	(190)	(1,039)	-	-
Amortisation	(665)	(464)	-	-
Transfer to assets held for sale	-	1,280	-	-
Foreign exchange translation	30	33	-	-
Balance at end of period	(825)	(190)	-	-

*The $14,152,000 (31 December 2006 $197,000) impairment loss recognised in the current period represents the write-down of certain oil and gas properties in the USA to their recoverable amount. This has been recognised in the income statement in the line item "Expenses excluding finance costs". The recoverable amount was based on value in use and was determined at the cash-generating unit level. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 10% on a pre-tax basis. During the year several wells were significantly impaired when their production declined significantly faster than anticipated when production commenced due to geological, geophysical and reservoir factors.

In addition to the $14,152,000 above, a further $2,466,000 is recognised as impairment in the income statement in the line item "Expenses excluding finance costs" to reflect the difference between the final sale price received from Exoma Energy Limited on 18 December 2007 and the book value at that date.

NOTE 14 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Exploration and evaluation costs carried forward in respect of areas of interest:				
Exploration and/or evaluation phase	3,679	17,232	-	-

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.

NOTE 14 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE (CONT.)

Reconciliation

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Reconciliation of carrying amounts of exploration and evaluation expenditure at the beginning and end of the current financial year:				
Balance at start of period	17,232	11,035	-	-
Additions	21,382	12,386	-	-
Transferred to oil and gas properties	(15,927)	(574)	-	-
Transfer to assets held for sale	-	(4,929)	-	-
Expenditure written off*	(17,819)	-	-	-
Foreign exchange translation	(1,189)	(686)	-	-
Balance at end of period	3,679	17,232	-	-

* During the year several exploration wells and associated project costs were fully written off when the wells failed to discover economically recoverable hydrocarbons.

NOTE 15 SHARE OPTIONS & PERFORMANCE RIGHTS

Share Options

The parent entity has granted certain options that are exercisable in whole or in part on or before the expiry dates shown below. All options were issued at no cost. At balance date the following options remain to be exercised:

31 December 2007	Date of Grant	Date of Expiry	Note	$1.22 Options	$0.99 Options
	13 July 2004	13 July 2008	15(a)	275,000	-
	8 May 2007	8 May 2011	15(b)	-	1,400,000
				275,000	1,400,000

31 December 2006	Date of Grant	Date of Expiry	Note	$1.22 Options	$1.35 Options
	24 January 2003	24 January 2007	15(a)	100,000	-
	23 April 2003	23 April 2007		170,000	-
	1 July 2003	1 July 2007		-	1,500,000
	30 July 2003	30 July 2007		25,000	-
	12 December 2003	12 December 2007	15(a)	205,000	-
	13 July 2004	13 July 2008	15(a)	275,000	-
				775,000	1,500,000

The weighted average remaining contractual life for the share options outstanding as at 31 December 2007 is 34.5 months (31 December 2006: 7.5 months).

The range of exercise prices for options outstanding at the end of the year was $0.99-$1.22 (31 December 2006: $1.22 - $1.35).

During the year ended 31 December 2007:

(i) 170,000 and 25,000 $1.22 options expired unexercised on 23 April 2007 and 30 July 2007 respectively;

(ii) 100,000 and 205,000 $1.22 options issued under the Employee Option Plan (see note 15(a)) expired unexercised on 24 January 2007 and 12 December 2007 respectively; and

(iii) 1,500,000 $1.35 options expired unexercised on 1 July 2007.

(a) Employee Option Plan:

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

This plan was terminated by the Board on 7 October 2004. Accordingly the Board cannot issue any further options under the plan. Under the plan, Antares Energy Limited, at the discretion of the Board, granted options to subscribe for ordinary shares in Antares Energy Limited to employees of the Consolidated Entity. The options, issued for nil consideration, were granted in accordance with guidelines established by the directors of Antares Energy Limited. The options were issued for a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX. As at 31 December 2007, the Consolidated Entity had 14 employees.

No grants were made during the year to 31 December 2007 or the six months to 31 December 2006.

NOTE 15 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

Information with respect to the number of options held under the employee option plan is as follows:

		31 December 2007		31 December 2006	
		Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period	15(a)(i)	580,000	$1.22	920,000	$1.22
- granted	15(a)(ii)	-	-	-	-
- lapsed		-	-	(25,000)	$1.22
- expired		(305,000)	$1.22	(315,000)	$1.22
- exercised		-	-	-	-
Balance at end of period	15(a)(iii)	275,000	$1.22	580,000	$1.22
Exercisable at end of period (i.e. vested)		275,000	$1.22	488,333	$1.22

(i) Options granted during the reporting period

There were no options granted by Antares Energy Limited to employees during the year to 31 December 2007 or the six months to 31 December 2006.

(ii) Options held as at the end of the reporting period

The following table summarises information about options held by employees as at the end of the reporting period:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 31 December 2007	Number of Options 31 December 2006
13 July 2004	13 July 2008	$1.22	275,000	275,000
12 December 2003	12 December 2007	$1.22	-	205,000
24 January 2003	24 January 2007	$1.22	-	100,000
			275,000	580,000

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

	31 December 2007		31 December 2006	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period	1,695,000	$1.34	2,095,000	$1.31
- granted	1,400,000	$0.99	-	-
- lapsed	-	-	-	-
- expired	(1,695,000)	$1.34	(400,000)	$1.22
- exercised	-	-	-	-
Balance at end of period	1,400,000	$0.99	1,695,000	$1.34
Exercisable at end of period (i.e. vested)	-	-	1,695,000	$1.34

During the year to 31 December 2007, 1,400,000 options were granted to non-executive directors following approval by shareholders at the Company's annual general meeting on 7 May 2007.

These options were granted on 8 May 2007 and expire on 8 May 2011. The options are exercisable at $0.99 and are not quoted on ASX.

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 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

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.

NOTE 15 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

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 2007, $160,000 (six months to 31 December 2006: $98,000) is expensed in the financial statements in respect of options. This is disclosed in note 4 as part of overall share based payments of $698,000 (six months to 31 December 2006: $262,000).

Performance Rights

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

As at 31 December 2007 there were two series of performance rights on issue – Series 1 and Series 2.

Series 1

In the year to 31 December 2007, 170,000 series 1 performance rights were granted to employees. 100,000 of these performance rights were granted on 15 February 2007 with a first exercise date of approximately 31 March 2008, a last exercise date on 15 February 2012 and the value per right at the date of grant was $0.71. 70,000 performance rights were granted on 28 March 2007 with a first exercise date of approximately 31 March 2008, a last exercise date on 28 March 2012 and the value per right at the date of grant was $0.68.

The remaining unvested Series 1 performance rights on issue at 31 December 2007 were dependent on performance hurdles and service conditions and were to all to vest or lapse on 31 December 2007. The test date for vesting is around March of the following year, hence as at 31 December 2007 the 31 December 2007 vesting had not yet been determined.

On 28 March 2008 the Board of Antares Energy Limited determined that for the year ended 31 December 2007 none of the performance rights available for vesting at 31 December 2007 had vested as a result of performance hurdles being met.

A total of 2,101,667 performance rights were eligible for vesting in relation to Company performance for the year ended 31 December 2007. As a result of the Board's determination, on 28 March 2008 no performance rights vested and 2,101,667 lapsed.

The financial effect of the 26 February 2007 vesting is included in the share based payments expense to 31 December 2007.

Series 2

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

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

The performance hurdles are as follows:	Hurdle Weighting	
	Series 1	Series 2
A) Market capitalisation	20%	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%
F) Comparison of percentage growth in market capitalisation per annum with peer group of eight companies*	10%	-
	100%	**100%**

*The peer group comprises of Arc Energy (ASX: ARQ), Amadeus Energy (ASX: AMU), Tomahawk (ASX: THK), Mosaic Oil (ASX: MOS), Petsec Energy (ASX: PSA), Roc Oil (ASX: ROC), Tap Oil (ASX: TAP) and Carrizo Oil and Gas (NASDAQNM: CRZO).

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:

				Number of Rights		
	Date of Grant	Date of Expiry	Series	Unvested	Vested	Total
31 December 2007	12 January 2005	12 January 2010	1	1,540,000	85,125	1,625,125
	6 October 2005	6 October 2010	1	325,000	-	325,000
	9 January 2006	9 January 2011	1	66,667	-	66,667
	15 February 2007	15 February 2012	1	100,000	-	100,000
	28 March 2007	28 March 2012	1	70,000	-	70,000
	2 July 2007	2 July 2012	2	5,340,000	-	5,340,000
	31 October 2007	31 October 2012	2	800,000	-	800,000
				8,241,667	85,125	8,326,792

NOTE 15 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

	Date of Grant	Date of Expiry	Series	Number of Rights Unvested	Number of Rights Vested	Number of Rights Total
31 December 2006	12 January 2005	12 January 2010	1	2,310,000	15,000	2,325,000
	6 October 2005	6 October 2010	1	487,500	6,250	493,750
	9 January 2006	9 January 2011	1	100,000	-	100,000
	4 May 2006	4 May 2011	1	187,500	-	187,500
				3,085,000	21,250	3,106,250

The weighted average remaining contractual life of the rights on issue at 31 December 2007 is 47.5 months (2006: 39 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 2007	31 December 2006
Balance at beginning of period	3,106,250	3,245,000
- granted	6,310,000	-
- lapsed	(813,983)	(135,000)
- exercised*	(275,475)	(3,750)
Balance at end of period	8,326,792	3,106,250
Exercisable at end of period (i.e. vested)	85,125	21,250

*The weighted average share price on the day of issue of new shares as a result of exercising was $0.780 (2006: $0.425).

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 2007	31 December 2006
15 February 2007	15 February 2012	1	$0.71	100,000	-
28 March 2007	28 March 2012	1	$0.68	70,000	-
2 July 2007	2 July 2012	2	$0.58	5,340,000	-
31 October 2007	31 October 2012	2	$0.47	800,000	-
				6,310,000	-

These rights are not quoted on ASX.

The Performance Rights Plan Rules are available on the Company's web site at www.antaresenergy.com.

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 $0.57. The weighted average assumptions used for the grants made are as follows:

	Date of Grant 15 February 2007	28 March 2007	2 July 2007	31 October 2007
Dividend yield	0%	0%	0%	0%
Expected volatility	54.2%	54.7%	50.0%	50.0%
Risk-free interest rate	5.99%	6.04%	6.39%	7.25%
Expected life of the right	5 years	5 years	5 years	5 years
Spot price on grant date	$0.825	$0.790	$0.76	$0.61

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.

Hurdles A and F 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. Hurdle F in series 1 and Hurdle A in series 2 have also used a Monte Carlo simulation to determine the indicative value. Values also differ over the different vesting years.

Hurdles B to E 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 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 E), 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 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 2007, $538,000 (six months to 31 December 2006: $164,000) was expensed in the financial statements and disclosed in note 4 as part of share based payments of $698,000 (six months to 31 December 2006: $262,000).

		Consolidated		Parent	
		31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
NOTE 16	**TRADE AND OTHER PAYABLES (CURRENT)**				
	Trade creditors and accruals	2,580	2,497	592	486

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 17 INTEREST-BEARING LOANS AND BORROWINGS

Convertible Notes

Non-Current	20,304	9,364	20,304	9,364

On 1 February 2007, 3,091,800 new unsecured convertible notes were issued at $2.00 each, raising $6,183,600. On 19 March 2007, a further 2,500,000 new unsecured convertible notes were issued at $2.00 each, raising $5,000,000. 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 12.40% and 12.39% per annum respectively, the convertible notes were classified $617,000 as equity component ($432,000 net of tax) and the balance of $10,566,600 as debt component. Implicit interest is recognised using the effective interest method over the period to the next reset date of 31 October 2009 at which time noteholders can elect to redeem their notes for $2 each. The effective interest rate on the convertible notes is 12.37%

As at 31 December 2007 there was a total of 10,561,235 notes on issue. The terms of the new notes are the same as the terms for the existing notes on issue which 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 2009

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

		Consolidated		Parent	
NOTE 18	**PROVISIONS**	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
	Current				
	Employee leave benefits	204	167	109	122
	Restoration	225	-	-	-
		429	167	109	122
	Non Current				
	Employee leave benefits	47	-	47	-
	Restoration	95	-	-	-
		142	-	47	-
	Reconciliation of Movements Employee Leave Benefits Provision				
	Balance at start of period	167	128	122	81
	Arising during the period	239	106	130	57
	Utilised	(119)	(64)	(67)	(14)
	Unused amounts reversed	(29)	(3)	(29)	(2)
	Foreign exchange translation	(7)			
	Balance at end of period	251	167	156	122
	Restoration Provision (i)				
	Balance at start of period	-	-	-	-
	Additions during period	312	-	-	-
	Unwinding of present value discount	8	-	-	-
	Balance at end of period	320	-	-	-

NOTE 19 CONTRIBUTED EQUITY

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Issued and paid up capital:				
Fully paid ordinary shares	59,767	59,682	59,767	59,682

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 2007		**6 months to 31 December 2006**	
	No. of shares	$'000	No. of shares	$'000
Movement in ordinary shares on issue:				
Beginning of the period	158,500,000	59,682	158,550,000	59,703
Share based payments – equity line of credit facility	697,675	300	-	-
Shares issued for nil consideration as a result of the exercise of vested performance rights	275,475	-	3,750	-
Shares bought back on-market	(275,475)	(215)	(53,750)	(21)
End of the period	159,197,675	59,767	158,500,000	59,682

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.

Equity Line of Credit Facility

On 18 December 2007 the Company announced it had secured a A$20,000,000 facility with US-Based Investment Fund YA Global Investments, LP, doing business as Cornell Capital Partners L.P. (Cornell).

Under the terms of the facility, the Company could, at its discretion, issue shares to Cornell at any time until the expiry date of 17 December 2010, up to a total aggregate value of A$20,000,000.

Generally, the Company could at its absolute discretion, from time to time, draw down up to A$300,000 in any 10-trading day period.

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

Under the agreement any trading day where the Company's share price (VWAP) is less than $0.2132 is excluded from the pricing period of a draw down and the draw down amount reduced accordingly. As at the date of this report, the Company's shares are trading below $0.2132, hence the Company effectively cannot draw down on the facility until the share price rises above $0.2132.

NOTE 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

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

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

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

NOTE 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

a) Market risk

Interest Rate Risk

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

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

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

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

		Consolidated		Parent	
	Weighted Average interest Rate	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Financial Assets					
Cash and cash equivalents	5.14%	9,040	18,298	7,456	17,211
Trade and other receivables*	-	528	2,395	8,542	27,491
Other financial assets	-	-	-	-	33
Net exposure		**9,568**	**20,693**	**15,999**	**44,735**

*As at 31 December 2007 the parent was entitled to receive interest on its loan to a wholly owned subsidiary at the rate of 13.12% per annum (2006: Nil).

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date. The 0.5% sensitivity is based on reasonably possible changes, over a financial year, using an observed range of historical Australian short term deposit rate movements over the last 3 years.

In the year to 31 December 2007, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the post tax result relating to financial assets of the Group would have been affected as follows:

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Judgements of reasonably possible movements:				
Post tax profit – higher/(lower)				
+ 0.5% per annum	88	135	130	119
- 0.5% per annum	(88)	(135)	(130)	(119)

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

Foreign Currency Risk

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

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

At 31 December 2007 the Consolidated Entity had no forward foreign exchange contracts in place. At 31 December 2007, the Group had the following exposures to USD foreign currency:

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Financial Assets				
Cash and cash equivalents	3,950	17,868	2,397	16,946
Trade and other receivables	514	2,558	8,579	25,453
Other financial assets	-	-	-	-
	4,464	20,426	10,976	42,399
Financial Liabilities				
Payables	2,068	2,147	-	-
Net exposure	2,396	18,279	10,976	42,399

NOTE 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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

At 31 December 2007, if the Australian Dollar had moved, as illustrated in the table below, with all other variables held constant, the post tax result and other equity would have been affected as follows:

	Consolidated		Parent	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Judgements of reasonably possible movements:	$'000	$'000	$'000	$'000
Post tax profit – higher/(lower)				
AUD/USD + 0.5%	(114)	(807)	(523)	(2,019)
AUD/USD - 0.5%	126	892	578	2,232
Other equity – higher/(lower)				
AUD/USD + 0.5%	-	(63)	-	-
AUD/USD - 0.5%	-	70	-	-

The movements in 2006 profit are higher due to the higher cash balances at 31 December 2006.

Commodity price risk

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

The Board manages the potential risk by monitoring and stress testing the Consolidated Entity's forecast financial position to sustained periods of low and high commodity prices. During the year to 31 December 2007 no forward contracts were entered into and there were no open positions at 31 December 2007.

If the US dollar oil price changed by 10% from the average oil and gas price during the year, with all other variables held constant, the estimated impact on post-tax result and other equity is shown in the following table. The 10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical prices for the preceding 5 year period.

	Consolidated		Parent	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
Judgements of reasonably possible movements:	$'000	$'000	$'000	$'000
Post tax profit – higher/(lower)				
+ 10%	297	120	-	-
- 10%	(297)	(120)	-	-

There would be no impact on equity (reserves) from movements in the oil or gas price.

(b) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities. The Consolidated Entity currently has in place an equity line of credit facility as set out in Note 19.

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

	Consolidated		Parent	
	31 December 2007	31 December 2006	31 December 2007	31 December 2006
	$'000	$'000	$'000	$'000
0 – 6 months	3,280	2,871	1,292	813
6 – 12 months	1,065	501	1,065	501
1 – 5 years	23,235	11,929	23,235	11,929
	27,580	15,301	25,592	13,243

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

Consolidated as at 31 December 2007	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	9,040	-	-	9,040
Trade and other receivables	528	-	-	528
Other financial assets	-	-	-	-
	9,568	-	-	9,568
Financial Liabilities				
Payables	2,580	-	-	2,580
Convertible notes	-	-	20,304	20,304
	2,580	-	20,304	22,884
Net exposure	6,988	-	(20,304)	(13,316)

NOTE 20 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

Parent as at 31 December 2007	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	Total $'000
Financial Assets				
Cash and cash equivalents	7,456	-	-	7,456
Trade and other receivables	37	-	-	37
Other financial assets	-	-	8,025	8,025
	7,493	-	8,025	15,518
Financial Liabilities				
Payables	592	-	-	592
Convertible notes	-	-	20,304	20,304
	592	-	20,304	20,896
Net exposure	6,901	-	(12,279)	(5,378)

(c) Credit risk

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

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

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

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

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

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

As at 31 December 2007 all trade receivables and other receivables relating to cash held in advance of operations were receivable from joint venture operators who have no history of credit default with the Group, and no provision 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.

Fair Value

The Directors consider that the carrying amount of the financial assets and liabilities recorded in the financial statements approximate their fair values unless otherwise stated.

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.

NOTE 21 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 2007 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		**Parent**	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Not later than one year	529	4,953	-	50
Later than one year but not later than 5 years	-	207	-	61
	529	5,160	-	111

NOTE 21 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES (CONT.)

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 in Perth and Dallas and office equipment.

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Minimum lease payments:				
Not later than one year	138	132	64	51
Later than one year but not later than 5 years	24	144	24	61
Total	162	276	88	112

(c) Contingent Assets and Liabilities

There are no contingent assets or liabilities at 31 December 2007.

NOTE 22 INTEREST IN JOINTLY CONTROLLED ASSETS

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
The Consolidated Entity has interests in various unincorporated joint ventures. The share of assets, liabilities, revenues and expenses of the jointly controlled operations, which are included in the financial statements, are as follows:				
CURRENT ASSETS				
Trade and other receivables	482	2,072	-	-
Prepayments	2,228	-	-	-
Inventory	-	-	-	-
Non-current assets classified as held for sale	-	997	-	-
Total current assets	2,710	3,069	-	-
NON-CURRENT ASSETS				
Oil and Gas Properties	2,793	347	-	-
Deferred exploration and evaluation expenditure	3,679	17,232	-	-
Total non-current assets	6,472	17,579	-	-
TOTAL ASSETS	9,182	20,648	-	-
CURRENT LIABILITIES				
Trade and other payables	1,827	1,964	-	-
Provisions	225	-	-	-
Liabilities directly associated with the assets classified as held for sale	-	26	-	-
Total current liabilities	2,052	1,990	-	-
NON CURRENT LIABILITIES				
Provisions	95	-	-	-
Total non current liabilities	95	-	-	-
TOTAL LIABILITIES	2,147	1,990	-	-
NET ASSETS	7,035	18,658	-	-
Revenues	1,363	608	-	-
Expenses	(339)	(483)	-	-
PROFIT/(LOSS) BEFORE TAX	1,024	125	-	-
Income tax expense	-	-	-	-
Net profit/(loss) after tax	1,024	125	-	-

NOTE 22 INTEREST IN JOINTLY CONTROLLED ASSETS (CONT.)

(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 2007 other than estimated exploration expenditures at reporting date, committed to but not provided for, including:

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

	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'000
Not later than one year	529	4,821	-	-
Later than one year but not later than 5 years	-	-	-	-
	529	4,821	-	-

The above commitments are included in the total commitments as set out in note 21.

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.

(ii) At 31 December 2007 the Consolidated Entity held the following interests in oil and gas production and exploration joint ventures:

	Working Interest	
Joint Venture	**31 Dec 2007**	**31 Dec 2006**
Section 3 – Ellis County, Oklahoma*	-	91.6%
Section 10 – Ellis County, Oklahoma*	-	79.5%
Section 34 – Ellis County, Oklahoma*	-	92.9%
Yukon 1 & 2 – Beaver County, Oklahoma*	-	87.5%
Kelln Trust 5-1 – Ellis County, Oklahoma*	-	34.0%
Kelln 94-1 – Lipscomb County, Texas*	-	18.9%
Porter's Creek – Wharton County, Texas	25.0%	25.0%
Wilbeck – Wharton County, Texas	30.0%	30.0%
Kenedy Ranch (Group A) – Kenedy County, Texas	5.0%	5.0%
Kenedy Ranch (Group B) – Kenedy County, Texas	50.0%	50.0%
Shaeffer Ranch – Jim Wells, Live Oak and Duvall Counties, Texas	50.0%	50.0%
Oyster Creek – Brazoria County, Texas	75.0%	75.0%
Scott-2 (Oyster Creek) – Brazoria County Texas	67.5%	67.5%
Lonesome Dove – Jim Wells County, Texas**	50.0%	50.0%
Yellow Rose – McMullen County, Texas	50.0%	50.0%
New Taiton – Wharton County, Texas	25.0%	25.0%
Little Bear – Victoria County, Texas	23.5%	23.5%
West Wharton – Wharton County, Texas	26.2%	-
HPY – Jim Wells County, Texas**	50.0%	-
Rowena Wilcox – Jim Wells County, Texas**	50.0%	-

*Joint venture assets sold during the year to 31 December 2007.
* *These joint ventures evolved out of the Shaeffer Ranch joint venture.

(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 2007. All joint operations are located onshore Texas, USA.

NOTE 23 RELATED PARTY DISCLOSURES

(i) ULTIMATE PARENT

Antares Energy Limited is the ultimate parent company.

NOTE 23 RELATED PARTY DISCLOSURES (CONT.)

(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 2007	% Equity interest 31 December 2006	Investment ($'000) 31 December 2007	Investment ($'000) 31 December 2006
Controlled entities of Antares Energy Limited:						
International Oil and Gas Services B.V.	Netherlands	Ord Shares	-	100	-	33
Santa Energy Pty Ltd	Australia	Ord Shares	100	100	-	-
					-	33
Controlled entities of Santa Energy Pty Ltd:						
Antares Energy Company	USA	Common Stock	100	100		

During the year ended 31 December 2007:
(a) The process to voluntarily deregister International Oil and Gas Services B.V. was completed.

During the year ended 31 December 2006:
(a) Southern Amity Limited was deregistered.
(b) The process to voluntarily deregister International Oil and Gas Services B.V. continued.

(iii) WHOLLY OWNED GROUP TRANSACTIONS
Transactions between Antares Energy Limited and other entities in the wholly-owned group during the year ended 31 December 2007 and the year ended 31 December 2006 consisted of:

(a) loans advanced by Antares Energy Limited. Interest of $2,115,702 was charged on the loans during the period;
(b) loans repaid to Antares Energy Limited;
(c) debt forgiveness within the wholly-owned group;
(d) the charging of employee time and other costs of wholly-owned controlled entities to other wholly-owned controlled entities on a commercial basis; and
(e) investments in wholly-owned controlled entities.

	Parent 12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Aggregate amounts included in the determination of net profit/(loss) before income tax that resulted from transactions with entities in the wholly-owned group:		
Recovery of costs	92	682
Dividends received from subsidiary	85	-
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Antares Energy Company (i)	34,036	25,372
Santa Energy Pty Ltd (ii)	26,325	17,642
Total due	60,361	43,014
Provision for non-recovery (iii)	(51,819)	(15,604)
	8,542	27,410
Reconciliation		
Reconciliation of the provision for non-recovery:		
Balance at start of period	15,604	15,473
Additions	36,215	131
Balance at end of period	51,819	15,604

	≤1 year $'000	> 1 year $'000
Ageing of amounts receivable from entities in the wholly-owned group at balance date:	17,347	43,014

(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.
(ii) The amount due from Santa Energy Pty Ltd is repayable upon demand and has been fully provided for.
(iii) The provision 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 13 and 14 respectively.

NOTE 24 EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2007 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

Yellow Rose Project

Since 31 December 2007 the Consolidated Entity has exercised options to lease 4,228 acres of land within the Yellow Rose project area for a three year term for a cost to the Consolidated Entity of USD 740,000.

Shaeffer Ranch Project

a) Land Position

Since 31 December 2007 the Consolidated Entity has exercised options to lease 7,400 acres of land within the Shaeffer Ranch project area for a three year term for a cost to the Consolidated Entity of USD 463,000.

b) Jean H. Freeborn-1 well

Since year end the Jean H. Freeborn-1 well has been tested in two separate zones with no commercial gas flows to surface being achieved. On 28 February 2007 the operator recommended temporarily suspending the well to further evaluate the data and seek a farminee for a second well. The Consolidated Entity agreed to this course of action and the well has been temporarily suspended.

The large Rowena structure still represents an exploration target despite the outcome of the current Jean H. Freeborn-1 well. The presence of sand on this flank of the structure is encouraging. Technical work is underway to map the sand units and look for thicker sections to drill with a second well. We will seek a farminee to participate in the next well.

Capital Raising

On 29 January 2008 Antares Energy Limited issued 229,477 new shares to Cornell Partners for $90,000 under the equity line of credit facility. Refer to Note 19 for information on the equity line of credit facility.

NOTE 25 AUDITOR'S REMUNERATION

The auditor of Antares Energy Limited is Ernst & Young.	Consolidated		Parent	
	31 December 2007 $'000	31 December 2006 $'000	31 December 2007 $'000	31 December 2006 $'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	124	95	124	95
- other assurance services	-	20	-	20
- tax and compliance services	71	74	71	74
	195	189	195	189

NOTE 26 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

R.A. Elliott	Chairman (non-executive)
F.D. Campbell	Director (non-executive)
W.R.B. Hassell	Director (non-executive)
H.M. McLaughlin	Managing Director and Chief Executive Officer
J.A. Cruickshank	Director (executive)

(ii) Executives

D.J. Rich	Company Secretary and Chief Financial Officer
D.M. Scull	Vice President – New Ventures and acting General Manager – USA

D.M. Scull resigned from his position as Vice President – New Ventures and acting General Manager – USA effective from 26 February 2008. 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 of Key Management Personnel for year to 31 December 2007 (Consolidated)

Certain disclosures that relate to compensation of key management personnel are contained in the Remuneration Report section of the Directors' Report. The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports required by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report designated as audited.

Movements in the holdings of performance rights and options by key management personnel are set out in the Remuneration Report section of the Directors' Report on pages 7 and 8 respectively.

NOTE 26 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(ii) Compensation by Category: Key Management Personnel

	Consolidated		Parent	
	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000	12 months to 31 December 2007 $'000	6 months to 31 December 2006 $'000
Short-Term	2,149	620	1,590	491
Post Employment	42	23	42	23
Share-based Payments	426	203	414	165
	2,617	846	2,046	679

(iii) Shareholdings of Key Management Personnel (Consolidated)

31December 2007	Balance 1 Jan 07	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 07
Directors					
R.A. Elliott	2,500,000	-	-	-	2,500,000
F.D. Campbell	125,000	-	-	-	125,000
W.R.B. Hassell	190,000	-	-	-	190,000
H.M. McLaughlin	1,147,500	-	82,500	-	1,230,000
J.A. Cruickshank	6,340,000	-	49,500	-	6,389,500
Executive					
D.J. Rich	210,264	-	60,500	-	270,764
Total	10,512,764	-	192,500	-	10,705,264

31December 2006	Balance 1 July 06	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 31 Dec 06
Directors					
R.A. Elliott	2,045,000	-	-	455,000	2,500,000
F.D. Campbell	125,000	-	-	-	125,000
W.R.B. Hassell	165,000	-	-	25,000	190,000
H.M. McLaughlin	1,042,000	-	-	105,500	1,147,500
J.A. Cruickshank	5,860,000	-	-	480,000	6,340,000
Executive					
D.J. Rich	117,279	-	-	92,985	210,264
Total	9,354,279	-	-	1,158,485	10,512,764

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.

(iv) Option holdings of Key Management Personnel (Consolidated)

Year to 31 December 2007	Exercise Price	Balance at beginning of period 1 Jan 2007	Options Exercised	Options Lapsed	Options Granted	Balance at end of period 31 Dec 2007	Vested at 31 Dec 2007* Total
Directors							
R.A. Elliott	$0.99	-	-	-	600,000	600,000	-
W.R.B. Hassell	$0.99	-	-	-	400,000	400,000	-
F.D. Campbell	$0.99	-	-	-	400,000	400,000	-
H.M. McLaughlin	$1.35	1,500,000	-	(1,500,000)	-	-	-
Executives							
D.J. Rich	$1.22	100,000	-	(100,000)	-	-	-
D.M. Scull	$1.22	275,000	-	-	-	275,000	275,000
Total		1,875,000	-	(1,600,000)	1,400,000	1,675,000	275,000

* All options vested at 31 December 2007 are exercisable.

NOTE 26 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

6 months ended 31 December 2006	Exercise Price	Balance at beginning of period 1 July 2006	Options Exercised	Options Lapsed	Net change Other	Balance at end of period 31 Dec 2006	Vested at 31 Dec 2006* Total
Directors							
F.D. Campbell	$1.22	400,000	-	(400,000)	-	-	-
H.M. McLaughlin	$1.35	1,500,000	-	-	-	1,500,000	1,500,000
Executives							
D.J. Rich	$1.22	375,000	-	(275,000)	-	100,000	100,000
D.M. Scull	$1.22	275,000	-	-	-	275,000	183,333
Total		2,550,000	-	(675,000)	-	1,875,000	1,783,333

* All options vested at 31 December 2006 are exercisable.

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

As at 31 December 2007 the following Key Management Personnel held convertible notes:

31December 2007	Balance 1 Jan 2007	Net Change Other	Balance 31 Dec 2007
Directors			
R.A. Elliott	529,634	27,478	557,112
W.R.B. Hassell	15,000	-	15,000
H.M. McLaughlin	24,060	-	24,060
Executive			
D.J. Rich	7,860	-	7,860
Total	576,554	27,478	604,032

31December 2006	Balance 1 July 2006	Net Change Other	Balance 31 Dec 2006
Directors			
R.A. Elliott	127,000	402,634	529,634
W.R.B. Hassell	15,000	-	15,000
H.M. McLaughlin	24,060	-	24,060
Executive			
D.J. Rich	5,400	2,460	7,860
Total	171,460	405,094	576,554

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.

(vi) Performance Rights holdings of Key Management Personnel (Consolidated)

2007

	Total Number of Unvested Rights on Issue					
	As at 1 January 2007 (Series-1)	Vested on 26 February 2007	Lapsed on 26 February 2007	Granted on 2 July 2007 (Series 2)	As at 31 December 2007	Vested Rights on Issue 31 Dec 2007
Directors						
H.M. McLaughlin	750,000	82,500	167,500	1,200,000	1,700,000	-
J.A. Cruickshank	450,000	49,500	100,500	800,000	1,100,000	-
Executives						
D.J. Rich	550,000	60,500	122,833	800,000	1,166,667	-
D.M. Scull	450,000	49,500	100,500	800,000	1,100,000	64,500
Total:	2,200,000	242,000	491,333	3,600,000	5,066,667	64,500

In the six months to 31 December 2006 there was no movement in the number of vested or unvested performance rights held by Key Management Personnel.

(vii) Loans to Key Management Personnel

During the year ended 31 December 2007 and six months ended 31 December 2006 there were no loans made to any Key Management Personnel and there were no loans outstanding as at 31 December 2006 or 31 December 2007.

(viii) Other transactions and balances with Key Management Personnel

During the six months to 31 December 2006 and the year to 31 December 2007 there were no transactions with Key Management Personnel other than those described above. At 31 December 2006 and 31 December 2007 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

ANTARES ENERGY LIMITED

ABN 75 009 230 835

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

(a) the financial statements, notes and additional disclosures included in the directors report designated as audited of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2007 and of their performance for the year period ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ending 31 December 2007.

On behalf of the Board.

R.A. ELLIOTT
Chairman

West Perth, Western Australia
31 March 2008

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

We have audited the accompanying financial report of Antares Energy Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 5 to 9 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

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

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

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

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

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

Auditor's Opinion
In our opinion:

1. the financial report of Antares Energy Limited is in accordance with the *Corporations Act 2001*, including:
   - (i) giving a true and fair view of the financial position of Antares Energy Limited and the consolidated entity at 31 December 2007 and of their performance for the year ended on that date; and
   - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

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

3. the remuneration disclosures that are contained on pages 5 to 9 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner
Perth
31 March 2008

GAB:KT:ANTARES:060

SHAREHOLDER INFORMATION
AS AT 18 MARCH 2008

Ordinary Shares

(a) Twenty Largest Shareholders

		Number of Shares	% of issued shares
1.	National Nominees Limited	13,462,905	8.44%
2.	Yandal Investments Pty Ltd	10,000,000	6.27%
3.	Cruickshank, James Andrew	6,389,500	4.01%
4.	Link Enterprises (International)	4,450,000	2.79%
5.	Citicorp Nominees Pty Ltd	3,426,700	2.15%
6.	Athabasca Pty Ltd	3,360,000	2.11%
7.	J P Morgan Nominees Australia	3,170,772	1.99%
8.	Metro West Investments Pty Ltd	2,500,000	1.57%
9.	ANZ Nominees Limited	2,224,892	1.40%
10.	Lessar Pty Ltd	2,213,000	1.39%
11.	Newport Securities Pty Ltd	1,950,000	1.22%
12.	HSBC Custody Nominees	1,949,481	1.22%
13.	Merrill Lynch (Australia)	1,855,176	1.16%
14.	Clohessy, Mark	1,850,000	1.16%
15.	Johjam Pty Ltd	1,500,000	0.94%
16.	Citicorp Nominees Pty Ltd (CFS W/Sale Gbl Res)	1,276,840	0.80%
17.	Kerr-Sheppard, Jonathan B	1,250,000	0.78%
18.	Naisos Holdings Pty Ltd	1,120,327	0.70%
19.	McLaughlin, Howard	1,081,500	0.68%
20.	Seton AMW & IM and AR MacKenzie (Andrew & Ingrid Family A/c)	1,030,000	0.65%
Total		66,061,093	41.44%

(b) Distribution of Shareholdings

	Number of Shareholders	Number of Shares Held
1 - 1,000	834	366,544
1,001 - 5,000	1,276	3,855,424
5,001 - 10,000	803	6,521,292
10,001 - 100,000	1,249	39,808,895
100,00 - and over	188	108,874,997
Total	4,350	159,427,152

(c) Substantial Shareholders

	Number of Shares	% of Issued Shares
Yandal Investments Pty Ltd	10,000,000	6.27%
Acorn Capital Limited	9,263,087	5.81%

(d) Unmarketable Parcels

There were 2,433 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 Stock Exchange. Ordinary shares are listed under the AZZ code.

(g) On-market Share Buy Back

On 30 October 2007 the Company commenced an on-market share buy back under which it may buy back up to 10% of its issued capital over a maximum period of 12 months.

Convertible Notes

(a) Twenty Largest Convertible Note Holders

		Number of Convertible Notes	% of Issued Convertible Notes
1.	HSBC Custody Nominees	5,436,200	51.47%
2.	Invia Custody PL	751,440	7.12%
3.	Metro West Investments Pty Ltd	577,112	5.46%
4.	Link Enterprises (International)	536,999	5.08%
5.	Kaysu Holdings No. 2 Pty Ltd	231,500	2.19%
6.	Naisos Holdings Pty Ltd	222,050	2.10%
7.	Grelin PL	175,000	1.66%
8.	Dorran Pty Ltd	150,000	1.42%
9.	ANZ Nominees Limited	137,196	1.39%
10.	Yardi Jason	136,000	1.29%
11.	Constable Michael Edward	128,000	1.21%
12.	RBC Dexia Investor Services	120,304	1.14%
13.	Gimbala Pty Ltd	100,000	0.95%
14.	Brigar Pty Ltd	70,808	0.67%
15.	Kampar Pty Ltd	67,200	0.64%
16.	Cap Entps WA Pty Ltd	64,000	0.61%
17.	Berger Gabriel	60,000	0.57%
18.	Miels Jane Alexandra	50,000	0.47%
19.	RBC Dexia Investor Services (MLCI A/c)	50,000	0.47%
20.	Newman Jocelyn & Holman J A	50,000	0.47%
Total		9,113,809	86.38%

(b) Distribution of Convertible Note Holdings

	Number of Convertible Note Holders	Number of Convertible Notes Held
1 - 1,000	5	4,055
1,001 - 5,000	85	288,464
5,001 - 10,000	29	254,305
10,001 - 100,000	47	1,412,610
100,00 - and over	12	8,601,801
Total	178	10,561,235

(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 Stock Exchange under the code AZZG.

LIST OF INTERESTS
AS AT 18 MARCH 2008

USA

Wells

Project	State	County	Wells	Working Interest	Net Revenue Interest
Wilbeck	TX	Wharton	Wilbeck-1	30.0%	22.35%
Porters Creek	TX	Wharton	Porters Creek-1	25.0%	18.75%
Kenedy Ranch Group A	TX	Kenedy	KMF228-1	5.0%	3.50%
Oyster Creek	TX	Brazoria	Harrison-1	75.0%	55.50%
			Harrison-2	75.0%	55.50%
			Scott-2	67.5%	49.95%
Little Bear	TX	Victoria	Garcitas Ranch C-1	23.5%	17.34%
			Garcitas Ranch C-2	23.5%	17.34%
New Taiton	TX	Wharton	Ilse-1	25.0%	13.75%
Shaeffer Ranch	TX	Jim Wells	Jean H. Freeborn-1	50.0%	37.50%
West Wharton	TX	Wharton	Outlar-1	26.2%	19.69%

Exploration Leases

Project	State	County	Gross Acres	Net Acres
Wilbeck	TX	Wharton	320	96
Porters Creek	TX	Wharton	170	43
Shaeffer Ranch	TX	Duvall Live Oak Jim Wells	6,432	3,216
Yellow Rose	TX	McMullen	8,197	4,098
Oyster Creek	TX	Brazoria	1,700	1,275
New Taiton	TX	Wharton	1,787	446
Little Bear	TX	Victoria	2,000	470
West Wharton	TX	Wharton	1,800	472

AUSTRALIA

The Company owns an overriding royalty interest of 2% over 33.34% of the working interest in PEL 105 in the Cooper Basin, South Australia.

ANNUAL GENERAL MEETING

The Annual General Meeting of Antares Energy Limited will be held at 4.00 pm on Friday 30 May 2008 at the Celtic Club, 48 Ord St, West Perth, Western Australia 6005.

ANTARES ENERGY LIMITED