2008 ANNUAL REPORT

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2008

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

CONTENTS

COMPANY DIRECTORY

DIRECTORS:
Richard Elliott, Non-Executive Chairman
William Hassell, Non-Executive Director
James Cruickshank, Managing Director

COMPANY SECRETARY:
Hugh Lennerts

REGISTERED OFFICE:
2nd Floor, 5 Ord Street
West Perth, WA, 6005
Telephone: + 61 (0) 8 9324 2177
Facsimile: + 61 (0) 8 9324 1224
Email: mail@antaresenergy.com
Website: www.antaresenergy.com

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

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

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

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

ANNUAL GENERAL MEETING

The Annual General Meeting of Antares Energy Limited will be held at 2pm on Thursday 28th May 2009 at the Celtic Club, 48 Ord St, West Perth, Western Australia 6005.

CHAIRMAN'S LETTER

Our plan for 2008 was to increase revenue and cut costs. We recorded a net profit on the back of increased revenue. We cut our general and administrative expenses by 54%. We utilised a portion of our positive cash flow to reduce debt by more than two million dollars. Offsetting these gains, and post the balance date, we had a major disappointment with our Stewart-1 sidetrack well. The results of that well downgraded our remaining West Wharton acreage.

At Oyster Creek, the production from the F-41 sand in our Harrison-2 well has exceeded expectations. We had originally planned to plug back that sand and perforate the C sand before the end of calendar year 2008. Given the flattening of the production decline curve, we are now projecting that we will continue to produce from the F-41 until November this year. Though that choice delays production of the C sand, which was the major drilling target of the well, it is more than compensated by the increased take from F-41. It also delays the planned drilling of the Harrison-3, as we would like some production history from the C sand of the Harrison-2 before finalising the Harrison-3 drilling plans.

We are continuing efforts to find a farm-in partner for our Wilcox deep test at our Shaffer Ranch holdings. Our view remains that we must farm-out due to the costs and risks involved.

Our short term exploration will be focused on the Yellow Rose Project. During the year a great deal of work has been completed, and we are now at the stage that answers must come from the drill bit. We have leased a substantial acreage spread in Yellow Rose and competitors are currently drilling prospects adjacent to our holdings. Lease costs are rising in the area, in spite of product prices being significantly less than the highs of 2008. We are currently negotiating entering into some land positions adjacent to our main acreage to receive a carried interest in ongoing work by others. We expect a well to be drilled soon at no cost to Antares. As to our main play, we are now arranging for the first Yellow Rose well to be drilled in the 2nd quarter of 2009. We will drill the well on a turn-key basis and are currently entering into contractual obligations. There is a window in the drilling rig market offering lower costs and excellent availability and we expect to be able to take advantage of this. We view the development of Yellow Rose as having substantial upside for the company.

The second half of 2008 saw a dramatic drop in the price of crude oil and gas. This severely impacted our cash flow during that period. We expected seasonal effects to arrest that decline in pricing at the beginning of 2009. Though oil prices have come off their December lows, gas prices have not regained any upward momentum. We have remained cash flow positive in the first quarter of 2009, however, our margins are not what we would have hoped.

Our convertible notes have a reset date of 31 October 2009. We are addressing various options and will communicate with our note holders ahead of that date.

R A ELLIOTT
Chairman
31 March 2009

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 2008.

1. DIRECTORS

The directors in office at any time during the year to 31 December 2008 and until the date of this report are as follows. Directors were in office for this entire period unless specified otherwise.

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

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.

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

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

James Andrew Cruickshank, B.Com, GDipAppnFin, GAICD, ASA, F.Fin – Executive Director to 30 June 2008 and Managing Director from 1 July 2008

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

Howard Mark McLaughlin, B.Sc. Geology - Managing Director & Chief Executive Officer (Resigned 30 June 2008).

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 was a member of the Nomination Committee. Mr. McLaughlin has held no other public company directorships during the last three years.

Fraser David Campbell, MA, MSc - Non-Executive Director. (Resigned 1 April 2008)

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 was Chairman of the Remuneration Committee and was a member of the Audit and Compliance and Nomination Committees. Mr. Campbell has held no other public company directorships during the past three years.

COMPANY SECRETARY

Hugh Lennerts (Appointed 4 November 2008)

Mr Lennerts is a fellow of the Institute of Chartered Secretaries, a Fellow of the Australian Institute of Company Directors, a Fellow of CPA and gained his MBA from UWA in 2004. He is a Chartered Secretary supplying Company Secretarial services to several listed and non listed entities.

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	670,012	1,200,000	-
W.R.B. Hassell	190,000	20,000	800,000	-
J.A. Cruickshank	6,908,979	-	-	1,200,000

During the year to 31 December 2008 twelve directors' meetings were held. The number of meetings attended by each director and the number of meetings held during each director's term of office during the financial year are shown below.

	Board of Directors' Meetings		Remuneration Committee Meetings		Audit and Compliance Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
R.A. Elliott	12	12	1	1	2	2
W.R.B. Hassell	12	12	1	1	2	2
J.A. Cruickshank	12	12	-	-	-	-
H.M. McLaughlin	7	7	1	1	-	-
F.D. Campbell	4	4	-	-	1	1

Remuneration Committee
The Remuneration Committee comprises of Messrs Elliott (Chairman) and Hassell.

Audit and Compliance Committee
The Audit and Compliance Committee comprises of Messrs Hassell (Chairman) and Elliott.

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

2. PRINCIPAL ACTIVITIES

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

3. FINANCIAL RESULTS

The net profit after income tax of the Consolidated Entity for the year ended 31 December 2008 was $0.601 million (2007: loss of $37.386 million).

4. DIVIDEND

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

5. SHARE OPTIONS

During the year to 31 December 2008 and to the date of this report no fully paid ordinary shares have been issued as a result of the exercising of options.

At the date of this report, the Company has 2,000,000 options for ordinary fully paid shares on issue as follows:

Number of Options	Exercise Price	Expiry Date
1,000,000 - unlisted	$0.25	4 November 2012
1,000,000 - unlisted	$0.99	8 May 2011
2,000,000		

Since 31 December 2008 and to the date of this report no options have been issued and none have expired. Refer to Notes 14 and 25 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.

7. OPERATING AND FINANCIAL REVIEW

Overview of the Consolidated Entity

Antares Energy Limited is focused on being a sustainable exploration and production company pursuing oil and gas opportunities located onshore Texas, United States of America. Antares currently has two principal wells in production being Outlar-1 in our West Wharton project and Harrison-2 in our Oyster Creek project. Antares has two key areas of exploration being our Yellow Rose project and our Shaeffer Ranch project.

As at 31 December 2008 our estimated total proved and probable oil and gas reserves were approximately 35,819 barrels of oil and 3.2 billion cubic feet of gas. We maintain our endeavour of achieving a portfolio of long lived, lower risk properties, which are typically characterised by lower geological risk and a large inventory of identified drilling opportunities.

Performance Indicators

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

Dynamics of the Business

In the USA oil and gas prices have reduced dramatically over the year primarily due to reduced demand as a result of a slowing US economy. This downward spiral in prices has reduced the demand for drilling rigs and thus the pricing of drilling rigs and associated services has fallen.

Operating Results for the Period

	Year ended 31 December 2008	Year ended 31 December 2007
Production (BCFe)	0.5	0.4
Production ('000 BOE)	91	70
Sales revenue ($mil.)	8.100	2.974
Overall net profit/(loss) after tax ($mil.)	0.601	(37.386)
Operating cashflow ($mil.)	3.271	(2.639)

Outlar-1 within our West Wharton project continues to produce approximately 144 Bbls of oil per day and 2,285 Mcf of gas per day. This well had produced by 31 December 2008 in excess of 64, 000 Bbls of oil and 1.0 Bcf of gas. This well continues to produce consistently and predictably in keeping with current reservoir modelling. The high gas and condensate quality continue to demand a price premium.

Stewart-1 within our West Wharton project was spud on the 9 May 2008 reaching a total depth of 11,922 feet on the 7 June 2008. After running wireline logs, it was found that the targeted turbidite channels were not developed at that location. Subsequent seismic reprocessing utilising data captured in the logging of the Stewart-1 well indicated seismic anomalies 900 feet north of the bottom hole location having characteristics of the missed channel sand package. Some members of the joint venture agreed to proceed with the sidetracking of the well requiring Antares to increase its working interest from 26.5% to 49.28% in order for operations to proceed. The Stewart-1 sidetrack operation represented the potential for the north western extension of the West Wharton project and was an offset of approximately .5 of a mile to Antares' Outlar-1 discovery. The operation was completed under budget and without incident, however interpretation of the logs indicated that approximately 41 feet of gross sand and 22 feet of net gas bearing sands were intersected, although these were thought to be laminated with moderate resistivity and porosity and would require fracture stimulation to be commercially viable in the current commodity and economic environment. All participating partners were consulted and were found to be in agreement with the operator's recommendation to plug and abandon the well.

This operation was undertaken by Antares as the most opportune deployment of our capital, at the time of spudding, within our existing portfolio which had the capacity to increase reserves, production and revenue growth in the near term. The very disappointing failure of this well signifies the failure of the extension of this project and thus no further capital will be deployed into this project for the foreseeable future. If there are positives to be found in this operation they are:

- Antares conducted these operations to plan on budget and tested the balance of this project in the most cost effective manner possible through the use of the existing Stewart-1 well bore rather than drilling a more expensive additional well;
- avoided destroying capital through chasing non economic shallow sands which were not part of the initial rational for pursing this project and finally;
- Antares was able to fund this operation from its own positive cash flow.

Harrison-2, within our Oyster Creek project, continues to produce approximately 186 Bbls of oil per day and 657 Mcf of gas per day. This well had produced by 31 December 2008 in excess of 50,000 Bbls of oil and 168 MMcf of gas. This well continues to produce consistently and predictably in keeping with current reservoir modelling. Production is currently from the lowest sand being the F41 sand. It is expected that during the last quarter of 2009 production from the current sand will decline to a point where it will be appropriate to test the Anomalina C Sand. The successful perforation, testing and production of the Anomalina C sand in this well will move non producing reserves to proven producing reserves and increase production and revenue.

The Yellow Rose project has advanced considerably with a well location, design and drilling plan having been agreed upon with Antares' operator and partner SIDC. 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 including Pioneer Natural Resources Company. The execution of this project matches our endeavour of achieving a portfolio of long lived, lower risk properties, which are typically characterised by lower geological risk and a large inventory of identified drilling opportunities. The first Yellow Rose well is planned for the second quarter of 2009.

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 2008. 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 2008 to be as follows:

	Net Reserves		Future Net Cash Flow*	
Category	**Oil (Barrels)**	**Gas (Thousand Cubic Feet (Mcf))**	**Total (USD)**	**Present Worth at 10% (USD)**
Proved Developed				
Producing (PDP)	35,819	407,733	3,237,900	2,809,341
Non-Producing (PDNP)	-	1,139,571	5,059,405	2,646,072
Proved Undeveloped	-	-	-	-
Total Proved (1P)	**35,819**	**1,547,304**	**8,297,305**	**5,455,413**
Probable	-	1,710,736	8,137,460	4,310,915
Proved and Probable (2P)	**35,819**	**3,258,040**	**16,434,765**	**9,766,328**
Possible	182,258	5,595,075	28,924,366	15,980,296
Proved, Probable and Possible (3P)	**218,077**	**8,853,115**	**45,359,131**	**25,746,624**

* Basic assumptions are:

(i) Oil prices are referenced to a per-barrel NYMEX West Texas Intermediate (WTI) closing price as at 31 December 2008 adjusted for gravity, crude quality, transportation fees, and regional price differentials. This price was $44.40/bbl. Gas prices are referenced to a per-MMBtu NYMEX Henry Hub closing price as at 31 December 2008 adjusted for energy content, transportation fees, and regional price differentials. This price was $5.62/MMBtu. The prices used in this report are the same as those which would be used if this report were prepared for filing with the SEC. Prices are held constant which is consistent with SEC guidelines.

(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 2008	**12 months to 31 Dec 2007**	**6 months to 31 Dec 2006**	**12 months to 30 June 2006**	**12 months to 30 June 2005**	**12 months to 30 June 2004**
Sales revenue ($'million)	8.100	2.974	1.199	9.156	23.070	20.630
Net profit/(loss) after tax ($'million)	0.601	(37.386)	(2.896)	5.547	1.231	(8.261)
Basic earnings/(loss) per share (cents)	0.4	(23.6)	(1.8)	3.5	0.4	(5.2)
Closing period end share price ($)	0.05	0.44	0.71	0.39	0.44	0.63

Notes:

1. 31 December 2008, 2007 and 2006 and 30 June 2006 and 2005 net profit after tax and EPS are reported under AIFRS accounting standards whereas 2004 is 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 Houston, Texas and the corporate head office remains in Perth, Western Australia.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

9. REMUNERATION REPORT (AUDITED)

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

9.1 Remuneration policies

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

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

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

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

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

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), as well as employer contributions to superannuation funds where applicable.

Remuneration levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Consolidated Entity. A review of externally provided remuneration data is conducted to ensure the 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 9.4 "Key Management Personnel" below.

Variable remuneration

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

Performance Rights

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

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

At the end of each performance period management prepares a report for the Board detailing the calculated performance against the predetermined performance hurdles. The Board reviews these calculations and may choose to have these audited before determining if, and to what extent, the performance hurdles have been met.

As at 31 December 2008 there were three series of performance rights on issue – Series 2, Series 3 and Series 4.

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

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

In the year to 31 December 2008, 4,950,000 performance rights were granted to executives and directors. These performance rights were granted on

- 7 May 2008 (series 3) and with a first exercise date of approximately 31 March 2009, a last exercise date on 7 May 2013. The value per right at the date of grant was $0.022.
- 4 November 2008 (series 4) with a first exercise date of approximately 31 March 2009, a last exercise date on 4 November 2013. The value per right at the date of grant was $0.016.

The performance hurdles are as follows:	**Hurdle Weighting**
Series 2	
A) Market capitalisation – based on % increase of the year end share price on a year on year comparison	30%

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

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

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

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

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

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

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

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

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

100%

Series 3 and 4

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

Performance Rights granted and vested during the period

			Vested	
2008	**Grant date**	**Granted**	**Number**	**%**
Directors				
J.A. Cruickshank	4 November 2008	1,000,000	-	-
Executives				
D.J. Rich	7 May 2008	1,000,000	-	-
Total:		2,000,000	-	-
2007				
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	-	-

Shares issued on the exercise of vested performance rights

	Number of Shares Issued	
	2008	**2007**
Directors		
H.M. McLaughlin	400,000	82,500
J.A. Cruickshank	-	49,500
Executives		
D.J. Rich	-	60,500
D.M. Scull	64,500	-
Total:	464,500	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* $	Remuneration consisting of performance rights for the year
2008				
Directors				
H McLaughlin	-	28,000	101,000	-
J A Cruickshank	12,700	-	24,000	32.2%
Executives				
D Rich	22,000	-	173,333	-
D Scull	-	6,450	103,550	-
2007				
Directors				
H McLaughlin	696,000	67,155	136,345	15.9%
J A Cruickshank	464,000	40,293	81,807	12.3%
Executives				
D Rich	464,000	49,247	99,986	12.7%
D Scull	464,000	-	81,807	1.5%

* As the exercise price of performance rights is nil, the closing share price on the day of exercise or lapse is taken as the intrinsic (fair) value at the time of exercise and lapse. The rights lapse when performance hurdles are not met and cannot be exercised by the holder.

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.

Options

During the year ended 31 December 2008, 1,000,000 options exercisable at $0.25 on or before 4 November 2012 were granted to non-executive directors following approval by shareholders at a general meeting on 31 October 2008. During the year to 31 December 2007, 1,400,000 options exercisable at $0.99 on or before 8 May 2011 were granted to non-executive directors following approval by shareholders at the Company's annual general meeting on 7 May 2007. The options have a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant as long as the holder still holds office. There are no performance conditions relating to the options. Any increase in the value of the options is linked to the share price performance of the Company.

Options granted and vested during the period

Year to 31 December 2008

	Number Granted	Grant date	First Exercise date	Last Exercise date	Exercise Price	Fair value at date of grant	Vested Number
Directors							
R.A. Elliott	600,000	4 November 2008	4 November 2009	4 November 2012	$0.25	$0.068	-
W.R.B. Hassell	400,000	4 November 2008	4 November 2009	4 November 2012	$0.25	$0.068	-

Year to 31 December 2007

	Number Granted	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	-

Options granted as part of remuneration	Value of options granted during the year $	Value of options exercised during the year $	value of options lapsed during the year* $	Remuneration consisting of options for the year
2008				
Directors				
R A Elliott	21,966	-	-	51.2%
W Hassell	14,644	-	-	53.7%
2007				
Directors				
F Campbell	132,000	-	-	49.0%
R A Elliott	198,000	-	-	46.7%
W Hassell	132,000	-	-	49.0%
Executives				
D Scull	-	-	-	1.5%

* All options that lapsed during the year to 31 December 2008 and 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 2008. There were no shares issued on the exercising of options in the periods to 31 December 2008 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 are unlimited in term but capable of termination with between one and three months notice and that the Consolidated Entity retains the right to terminate the contract immediately, by making payment in lieu of notice.

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

As at 31 December 2008, there are no fixed term employment agreements.

9.3 Non-executive directors

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

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

9.4 Key management personnel

Directors	
R.A. Elliot	Chairman (non-executive)
W.R.B. Hassell	Director (non-executive)
J.A. Cruickshank	Managing Director and Chief Executive Officer from 1 July 2008 Executive Director to 30 June 2008
H.M.McLaughlin	Managing Director and Chief Executive – resigned 30 June 2008
F.D. Campbell	Director (non-executive) – resigned 1 April 2008
Executives	
D.J. Rich	Company Secretary and Chief Financial Officer – resigned 25 September 2008
H. Lennerts	Company Secretary - appointed 4 November 2008
D.M. Scull	Vice President – New Ventures and acting General Manager – USA – resigned 26 February 2008

9.5 Key management personnel remuneration

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

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

	Short-Term			Post Employment	Share-Based Payments		Total	Total Performance Related
Year to 31 Dec 2007	Salary & Fees	Cash Bonus(vi)	Non Monetary Benefits	Superannuation	Options (i)	Performance Rights (ii)		
	$	$	$	$	$	$	$	
Directors								
R.A. Elliott	69,000	-	-	6,210	66,000	-	141,210	46.7%
W.R.B. Hassell	42,000	-	-	3,780	44,000	-	89,780	49.0%
J.A. Cruickshank(v)	298,240	211,464	8,493	6,343	-	73,749	598,289	47.7%
H.M. McLaughlin	377,314	200,000	-	12,908	-	111,659	701,881	44.4%
F.D. Campbell	45,780	-	-	-	44,000	-	89,780	49.0%
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	

(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 in section 5 above "Share 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) Mr Cruickshank's salary is paid in US dollars and totalled US$273,333 for the year ended 31 December 2008. His salary has been translated to A$330,974 using an average exchange rate of 0.826.

(v) During the year ended 31 December 2007 Mr Cruickshank was also paid an amount of US$ 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.

(vi) In the prior year, at its meeting of 1 February 2007, the Board approved payment of a cash bonus of $200,000 each to H.M. McLaughlin, J.A. Cruickshank and D.J. Rich as reward for their successful completion of the sale of the Company's Turkish subsidiary (Amity Oil International Pty Ltd) to Zorlu Petrogas ("Zorlu") for USD 40.4 million in October 2005. D.M. Scull was granted a bonus of US$ 100,000 at the meeting of 1 February 2007 for his role in establishing a presence and portfolio in the US.

(vii) The current Managing Director recommended to the remuneration committee that no bonuses be granted for the year ended 31 December 2008. This recommendation was accepted by the remuneration committee and implemented.

(viii) D.J. Rich's performance rights lapsed on resignation during the year. The amount in relation to those performance rights expensed in prior years has been written back in the current year.

End of Remuneration Report

10. INDEMNIFICATION OF DIRECTORS AND COMPANY SECRETARY

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

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

11. RISK MANAGEMENT

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

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

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

12. STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the year ended 31 December 2008 were as follows:

An increase in share capital from $59,767,000 to $62,253,000	$'000
Opening Balance, 1 January 2008	59,767
Drawdown on equity line of credit facility	86
Issue of 24 million shares to HEP Oil GP LLC at $0.10 per share	2,400
Closing Balance, 31 December 2008	62,253

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

During the year the company bought-back 1,052,446 convertible notes on-market for $0.998 million. Each note has a face value of $2 and the buy-back has resulted in a reduction in the face value liability of the notes by approximately $2.104 million.

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since 31 December 2008 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:

Stewart – 1 side-track well

The Stewart-1 side-track well was drilled during the first quarter of 2009 at a cost of approximately $1.620 million. The well was unsuccessful and has been plugged and abandoned. The prepaid well costs at year end relating to this well will be expensed in the 2009 financial year in accordance with the Group's accounting policy.

14. LIKELY DEVELOPMENTS AND RESULTS

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

15. CORPORATE GOVERNANCE

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

16. ROUNDING

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

17. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The independence declaration received from the auditor of Antares Energy Limited is set out on page 14 and forms part of this directors' report for the year ended 31 December 2008.

Non-audit services

Local and international tax services to the value of $37,000 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, 2009

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 2008, 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 A Buckingham

Gavin A Buckingham
Partner
Perth
31 March 2009

GB:JC:ANTARES:073

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 2008 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 Principles 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
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	7.5 years
W.R.B. Hassell	4.5 years
J.A. Cruickshank	4.5 years

The Board has established a Nomination Committee 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)
W.R.B. Hassell
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 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)
R.A. Elliott

For details regarding the qualifications of the members, refer to page2 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 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.

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 11 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 of the non-executive directors. Members of the Remuneration Committee throughout the year were:

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 2008

	Notes	Consolidated 2008 $'000s	Consolidated 2007 $'000	Parent 2008 $'000s	Parent 2007 $'000
Continuing Operations					
Revenue	3(a)	8,340	3,763	4,189	2,945
Cost of goods sold	4(a)	(2,324)	(1,369)	-	-
Gross profit		6,016	2,394	4,189	2,945
Other income	3(b)	1,165	1,774	4,819	1,859
Other expenses	4(b)	(4,054)	(39,575)	(1,737)	(43,663)
Finance costs	4(c)	(2,526)	(2,337)	(2,510)	(2,329)
Profit/(loss) before income tax		601	(37,744)	4,761	(41,188)
Income tax benefit	5	-	358	-	358
Net profit/(loss) attributable to members of Antares Energy Limited		**601**	**(37,386)**	**4,761**	**(40,830)**

	Notes	Consolidated 2008	Consolidated 2007
Earnings per share (cents per share)			
Basic earnings/(loss) per share for the period	7	0.4	(23.6)
Diluted earnings/(loss) per share for the period	7	0.4	(23.6)

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 2008

	Notes	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000	Parent 31 December 2008 $'000	Parent 31 December 2007 $'000
CURRENT ASSETS					
Cash and cash equivalents	8	5,585	9,040	1,917	7,456
Trade and other receivables	9	1,033	528	10	37
Prepayments	10	1,891	2,294	22	24
Total current assets		**8,509**	**11,862**	**1,949**	**7,517**
NON-CURRENT ASSETS					
Trade and other receivables	9	-	-	19,649	8,542
Property, plant and equipment	11	87	148	9	20
Oil and gas properties	12	6,176	2,793	-	-
Deferred exploration and evaluation expenditure	13	7,334	3,679	-	-
Total non-current assets		**13,597**	**6,620**	**19,658**	**8,562**
TOTAL ASSETS		**22,106**	**18,482**	**21,607**	**16,079**
CURRENT LIABILITIES					
Trade and other payables	15	557	2,580	434	592
Interest bearing loans and borrowings	16	18,634	-	18,634	-
Provisions	17	262	429	-	109
Total current liabilities		**19,453**	**3,009**	**19,068**	**701**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	16	-	20,304	-	20,304
Provisions	17	137	142	23	47
Total non-current liabilities		**137**	**20,446**	**23**	**20,351**
TOTAL LIABILITIES		**19,590**	**23,455**	**19,091**	**21,052**
NET ASSETS/(LIABILITIES)		**2,516**	**(4,973)**	**2,516**	**(4,973)**
EQUITY/ (DEFECIENCY)					
Contributed equity	18	62,253	59,767	62,253	59,767
Reserves		3,938	(464)	4,347	4,105
Accumulated losses		(63,675)	(64,276)	(64,084)	(68,845)
TOTAL EQUITY/(DEFECIENCY)		**2,516**	**(4,973)**	**2,516**	**(4,973)**

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 2008

CONSOLIDATED	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 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)**

Balance at 1 January 2008	59,767	(64,276)	(4,569)	1,634	2,471	(4,973)
Foreign currency translation differences	-	-	4,160	-	-	4,160
Total income and expense recognised directly in equity	-	-	4,160	-	-	4,160
Loss for the period	-	601	-	-	-	601
Total income/expense for the period	-	601	4,160	-	-	4,761
Issue of shares	2,486	-	-	-	-	2,486
Cost of Share based payments	-	-	-	-	242	242
Balance at 31 December 2008	**62,253**	**(63,675)**	**(409)**	**1,634**	**2,713**	**2,516**

PARENT	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 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)**

			-			
Balance at 1 January 2008	59,767	(68,845)	-	1,634	2,471	(4,973)
Total income and expense recognised directly in equity	-	-	-	-	-	-
Profit for the period	-	4,761	-	-	-	4,761
Total income/expense for the period	-	4,761	-	-	-	4,761
Issue of shares	2,486	-	-	-	-	2,486
Cost of Share based payments	-	-	-	-	242	242
Balance at 31 December 2008	**62,253**	**(64,084)**	**-**	**1,634**	**2,713**	**2,516**

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 2008

	Note	Consolidated		Parent	
		2008 $'000	2007 $'000	2008 $'000	2007 $'000
Cash flows from operating activities					
Receipts from customers		7,833	2,715	-	92
Payments to suppliers and employees		(2,398)	(4,429)	(1,389)	(2,747)
Interest received		265	845	242	792
Interest paid		(2,429)	(1,770)	(2,429)	(1,769)
Dividends received		-	-	-	117
Net cash inflows / (outflows) from operating activities	8	**3,271**	**(2,639)**	**(3,576)**	**(3,515)**
Cash flows from investing activities					
Payments for property, plant and equipment		-	(81)	-	(3)
Exploration, evaluation and development expenditure		(9,270)	(26,057)	-	-
Loans to subsidiaries		-	-	(3,558)	(15,231)
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	-	-
Net cash inflows / (outflows) from investing activities		**(9,270)**	**(17,089)**	**(3,558)**	**(13,460)**
Cash flows from financing activities					
Proceeds from borrowings		-	11,184	-	11,184
Proceeds from issue of shares		2,486	-	2,486	-
Payment for convertible notes bought back on market		(998)	-	(998)	-
Payments for shares bought back on-market		-	(215)	-	(215)
Net cash inflows / (outflows) from financing activities		**1,488**	**10,969**	**1,488**	**10,969**
Net (decrease)/increase in cash and cash equivalents held		**(4,511)**	**(8,759)**	**(5,646)**	**(6,006)**
Cash and cash equivalents at the beginning of the period		9,040	18,298	7,456	17,211
Effects of exchange rate changes on cash		1,056	(499)	107	(3,749)
Cash and cash equivalents at the end of the period	8	**5,585**	**9,040**	**1,917**	**7,456**

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 2008 was authorised for issue in accordance with a resolution of the Directors on 31 March 2009.

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.

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
At 31 December 2008, the Company and the Group have a net current asset deficiency of $17.119 million and $10.944 million respectively. This is due to the Group's convertible notes, with an accounting value of $18.634 million at 31 December 2008, being potentially due for repayment in October 2009, if noteholders do not elect to roll the notes over based on new reset terms.

As at the date of signing these accounts, reset terms for the notes have not been determined and it is uncertain whether noteholders will seek redemption of the notes or roll the notes over based on the reset terms.

The Directors intend to finalise reset terms for the notes and seek the intention of noteholders in the next six month period. Once this is achieved the Directors will be in a position to determine whether the Group has sufficient cash reserves to repay any notes, which noteholders will seek redemption of, or whether the Group needs to raise additional funds to redeem notes via either or a combination of an equity raising, asset sales or replacement debt finance.

Should the Directors not be able to achieve the matters set out above, there is significant uncertainty as to whether the Company and the Group will be able to continue as going concerns.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded amounts, or to the amount and classification of liabilities that might be required should the Company and the Group not be able to achieve the matters set out above and thus be able to continue as going concerns.

NOTE 1 BASIS OF PREPARATION (Cont.)

(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 2008:

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	1 January 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	1 January 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	1 January 2009
AASB 101 (Revised) and AASB 2007-8	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	1 January 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	1 January 2009
AASB 2008-2	Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	1 January 2009
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities a choice for each business combination entered into – to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquiree's net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	1 January 2010
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	1 January 2010
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending standard issued as a consequence of revisions to AASB 3 and AASB 127.	1 July 2009	1 January 2010

NOTE 1 BASIS OF PREPARATION (Cont.)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009	1 January 2010
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Refer to AASB 2008-5 above.	1 July 2009	1 January 2010
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the 'cost method' and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	1 January 2009

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

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

NOTE 1 BASIS OF PREPARATION (Cont.)

(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 2008 (“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.

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

NOTE 1 BASIS OF PREPARATION (Cont.)

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

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

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

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

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

(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.

NOTE 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 the country in which they operate, provided the local economy is not subject to hyperinflation. Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity.

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

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

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

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

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

(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; 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 linked to the price of the shares of Antares Energy Limited.

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

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

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

NOTE 1 BASIS OF PREPARATION (Cont.)

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

The Consolidated Entity obtained an independent external assessment of its reserves as at 31 December 2008 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 independent external assessments of potential reserves, future production profiles, commodity prices and costs.

The carrying value of all oil and gas properties as at 31 December 2008 was $6,176,000 (31 December 2007: $2,793,000).

Share-based payment transactions
The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using a Black-Scholes option-pricing model using the assumptions detailed in note 14. 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 14.

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).

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 Segment 12 months to 31 December 2008	USA $'000	Australia $'000	Total Operations $'000
REVENUE			
Total segment revenue - external Sales	8,100	-	8,100
Unallocated revenue			240
Inter-segment elimination			-
Total revenue from operations			8,340
RESULT			
Segment result	3,900	(1,522)	2,378
Unallocated expense			(1,754)
Foreign exchange loss			(23)
Net profit/(loss) before income tax			601
Income tax benefit/(expense)			-
Net (loss)/profit			601
ASSETS			
Segment assets	16,480	41	16,521
Unallocated assets			5,585
Total assets			22,106
LIABILITIES			
Segment Liabilities	(499)	(140)	(639)
Unallocated Liabilities			(18,951)
Total Liabilities			(19,590)
OTHER			
Capital expenditure	9,907	-	9,907
Depreciation	72	11	83
Amortisation	1,596	-	1,595
Share based payments expense	-	242	242
Exploration written off	2,978	-	2,978
Impairment	256	-	256
Total non-cash expenses	4,902	253	5,155

NOTE 2 SEGMENT REPORTING (CONT.)

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	9,355	87	9,442
Unallocated assets			9,040
Total assets			18,482
LIABILITIES			
Segment liabilities	(2,403)	(748)	(3,151)
Unallocated liabilities			(20,304)
Total liabilities			(23,455)
OTHER			
Capital expenditure	22,630	3	22,633
Depreciation	85	16	101
Amortisation	665	-	665
Share based payments expense	-	698	698
Exploration written off	17,819	-	17,819
Impairment	16,618	-	16,618
Total non-cash expenses	35,187	717	35,901

NOTE 3 REVENUE AND OTHER INCOME

	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
(a) Revenue				
Sale of product	8,100	2,974	-	-
Interest revenue	240	789	4,189	2,853
Rendering of services	-	-	-	92
	8,340	3,763	4,189	2,945
(b) Other Income				
Gain on disposal of interest in leases	-	9	-	9
Gain on buy-back of convertible notes	1,116	-	1,116	-
Dividends received from controlled entities	-	-	-	85
Royalty	9	-	9	-
Success fee (i)	-	1,765	-	1,765
Foreign exchange gain (ii)	-	-	3,667	-
Other	39	-	27	-
	1,165	1,774	4,819	1,859

(i) During the previous 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.

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

NOTE 4 EXPENSES AND LOSSES/(GAINS)

Expenses	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
(a) Cost of goods sold:				
Depreciation and amortisation expenses	1,596	665	-	-
Other production costs	728	704	-	-
Total cost of goods sold	2,324	1,369	-	-
(b) Other expenses:				
Operating lease payments	151	167	65	90
Impairment of intercompany loan	-	-	10	33,407
General and administrative expenses	976	2,125	584	772
Foreign exchange loss	23	320	-	6,557
Impairment of oil & gas properties (note 12)	256	16,618	-	-
Exploration expenditure written off (note 13)	1,658	17,819	-	-
(Decrease)/increase in restoration provision	-	95	-	-
	3,064	37,144	659	40,826
Wages and salaries	691	1,613	779	2,019
Share based payments	242	698	242	698
Other	57	120	57	120
Total employee benefits	990	2,431	1,078	2,837
Total other expenses	4,054	39,575	1,737	43,663
(c) Finance costs:				
Convertible notes interest paid/payable	2,075	1,956	2,075	1,956
Convertible notes implicit interest (note17)	435	373	435	373
Unwinding of present value discount	16	8	-	-
	2,526	2,337	2,510	2,329
(d) **Reconciliation of depreciation and amortisation:**				
Depreciation of property, plant & equipment	83	101	11	16
Amortisation of oil and gas properties	1,596	665	-	-
Total depreciation and amortisation expenses	1,679	766	11	16
- included in cost of goods sold	1,596	665	-	-
- included in general and administrative	83	101	11	16
Total depreciation and amortisation charges	1,679	766	11	16

NOTE 5 INCOME TAX	Consolidated 2008 $'000	Consolidated 2007 $'000	Parent 2008 $'000	Parent 2007 $'000
The major components of income tax expense are:				
Income Statement				
Current Income Tax				
Current income tax charge	(2,871)	(4,031)	446	(44)
Deferred Income Tax				
Relating to origination and reversal of timing differences	3,154	(8,971)	1,058	(1,239)
Adjustments in respect of current income tax of previous years	(77)	-	(10,933)	-
DTA (recognised) /not brought to account	(206)	12,644	9,429	925
	-	(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	601	(37,744)	4,761	(41,188)
At Group's statutory income tax rate of 30%	210	(13,211)	1,428	(12,356)
Tax effect of permanent differences:				
- intercompany debt write-off	-	-	3	10,864
- Share based payments	73	209	73	209
- Adjustments in respect of current income tax of previous years	(77)	-	(10,933)	-
- DTA (recognised)/not brought to account	(206)	12,644	9,429	925
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 2008				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	947	(16)	-	931
Provisions	192	(52)	-	140
Section 40 – 880 costs	24	37	-	61
Exploration costs	8,597	(3,176)	-	5,421
Losses available for offset against future taxable income (USA)	5,208	3,316	-	8,524
Losses available for offset against future taxable income (Australian)	9,909	(446)	-	9,463
	24,877	(337)	-	24,540
Deferred tax liabilities				
Convertible Notes	(246)	131	-	(115)
Less Unrecognised Net Deferred Tax Assets	(24,631)	206	-	(24,425)
	-	-	-	-
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)	-

NOTE 5 INCOME TAX (CONT).

	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
PARENT				
12 months to 31 December 2008				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Provision for diminution net of foreign exchange	6,555	7,700	-	14,255
Provisions	47	(40)	-	7
Section 40 – 880 costs	24	43	-	67
Losses available for offset against future taxable income (Australian)	9,909	(446)	-	9,463
	16,535	7,257	-	23,792
Deferred tax liabilities				
Convertible notes	(246)	131	-	(115)
Less Unrecognised Net Deferred Tax Assets	(16,289)	(7,388)	-	(23,677)
	-	-	-	-
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)
Less Unrecognised Net Deferred Tax Assets	(15,364)	(925)	-	(16,289)
	-	358	(358)	-

	Consolidated		Parent	
Unrecognised deferred tax balances	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
The following deferred tax assets have not been brought to account as follows:				
Tax losses - revenue (Australian)	9,463	9,909	9,463	9,909
Tax losses (US)	8,524	5,208	-	-
Temporary difference – exploration	5,421	8,597	-	-
Temporary differences – Section 40-880	61	24	67	24
Temporary differences – convertible note (equity)	(115)	(246)	(115)	(246)
Temporary differences – provisions	140	192	7	47
Temporary difference – provision for diminution net of foreign exchange	931	947	14,255	6,555
	24,425	24,631	23,677	16,289

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 2008.

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 was 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 2008 $'000	12 months to 31 December 2007 $'000
Revenue	-	1,611
Expenses	-	(366)
Profit/(loss) before income tax from assets held for sale	-	1,245
Tax expense	-	-
Net profit/(loss) after tax from assets held for sale	-	1,245

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 2008 $'000	31 December 2007 $'000
Assets		
Trade and other receivables	-	-
Inventory	-	-
Oil & gas properties (note 14)	-	-
Accumulated amortisation on oil and gas properties	-	-
Deferred exploration and evaluation expenditure (Note 15)	-	-
Assets classified as held for sale	-	
Liabilities		
Trade Creditors	-	-
Liabilities directly associated with assets classified as held for sale	-	-

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.

	Consolidated	
The following reflects the income and share data used in the basic and diluted earnings per share computations:	2008 $'000	2007 $'000
Net profit/(loss) attributable to ordinary equity holders of the parent (used in calculating basic and diluted loss per share)	601	(37,386)
	2008 Thousands	2007 Thousands
Weighted average number of ordinary shares for basic and diluted loss per share	168,278	158,539

a) Options and performance rights
None of the 2,000,000 options or 4,000,000 performance rights outstanding at 31 December 2008 have been included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2008. These options could potentially dilute earnings per share in the future. For details of these options refer to note 14.

b) Convertible notes
None of the convertible notes outstanding at 31 December 2008 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 16.

NOTE 8 CASH AND CASH EQUIVALENTS

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Cash at bank and on hand	4,085	6,008	417	4,456
Short term deposits	1,500	3,032	1,500	3,000
	5,585	9,040	1,917	7,456

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	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Reconciliation of net loss after tax to net cashflows				
Net profit/(loss)	601	(37,386)	3,490	(40,830)
Non-cash Items and other adjustments:				
Depreciation and amortisation	1,679	766	11	16
Exploration expenditure written off	1,658	17,819	-	-
Impairment of oil and gas properties	256	16,618	-	-
Implicit interest on convertible notes	435	373	435	373
Share based payments – employee benefits	242	698	242	698
Share based payments – equity line of credit facility	-	300	-	300
Gain on buy-back of convertible notes	(1,116)	-	(1,116)	-
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	-	-	8,097	33,407
Accrued interest on intercompany loan	-	-	(3,971)	(2,116)
Unwinding of the effect of discounting on provisions	16	8	-	-
Foreign exchange movement	-	320	(10,483)	6,557
Income tax benefit	-	(358)	-	(358)
Change in operating assets and liabilities:				
Decrease/(increase) in receivables	(457)	(182)	27	40
(Decrease)/increase in creditors and payables	129	(22)	(174)	105
(Decrease)/increase in provisions	(172)	181	(134)	34
Net cash used in operating activities	3,271	(2,639)	(3,576)	(3,515)

		Consolidated		Parent	
		2008	2007	2008	2007
		$'000	$'000	$'000	$'000
NOTE 9	**TRADE AND OTHER RECEIVABLES**				
	Current				
	Trade receivables (i)	1,023	482	-	-
	Other receivables (ii)	10	46	10	37
		1,033	528	10	37
	Non-current				
	Related party receivables (iii)	-	-	78,294	60,361
	Provision for non-recovery of intercompany loans	-	-	(58,645)	(51,819)
		-	-	19,649	8,542

(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 22 (iii).

		Consolidated		Parent	
		2008	2007	2008	2007
NOTE 10	**PREPAYMENTS (CURRENT)**				
	Prepayment to joint venture operator	1,821	2,228	-	-
	Prepayments	70	66	-	-
		1,891	2,294	22	24

The prepayments to joint venture operators relate to the drilling of the Stewart – 1 sidetrack exploration well (2007: Harrison – 2 exploration well).
The Stewart – 1 sidetrack well was drilled in the first quarter of 2009 for a cost of approximately $1.620 million and was unsuccessful. These costs will be expensed in the 2009 financial year (refer to note 23).

		Consolidated		Parent	
		2008	2007	2008	2007
NOTE 11	**PROPERTY, PLANT AND EQUIPMENT**				
	Office equipment - cost	775	717	384	412
	Accumulated depreciation	(688)	(569)	(375)	(392)
	Total Property, Plant and Equipment	87	148	9	20

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

	Consolidated 2008	Consolidated 2007	Parent 2008	Parent 2007
Office equipment, vehicles and furniture				
Balance at start of period	148	177	20	33
Additions	3	82	-	3
Exchange differences from translation	20	(10)	-	-
Disposals - at cost	(28)	-	(28)	-
Depreciation	(83)	(101)	(11)	(16)
Disposals - accumulated depreciation	28	-	28	-
Balance at end of period	87	148	9	20

NOTE 12 OIL AND GAS PROPERTIES

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Oil and gas properties				
- at cost	9,355	3,618	-	-
- accumulated amortisation	(3,179)	(825)	-	-
	6,176	2,793	-	-

Reconciliation

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

	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000	Parent 31 December 2008 $'000	Parent 31 December 2007 $'000
At Cost				
Balance at start of period	3,618	548	-	-
Additions	459	1,181	-	-
Impairment*	(256)	(14,187)	-	-
Transfer from exploration and evaluation	3,662	15,927	-	-
Foreign exchange translation	1,872	149	-	-
Balance at end of period	9,355	3,618	-	-
Accumulated amortisation				
Balance at start of period	(825)	(190)	-	-
Amortisation	(1,596)	(665)	-	-
Foreign exchange translation	(758)	30	-	-
Balance at end of period	(3,179)	(825)	-	-

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

In addition to the prior year impairment of $14,187,000 above, a further $2,431,000 is recognised as impairment in the prior year's income statement in the line item "Other expenses" 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 13 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Exploration and evaluation costs carried forward in respect of areas of interest:				
Exploration and/or evaluation phase	7,334	3,679	-	-

The ultimate recoupment of costs carried forward for the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

Reconciliation

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

	Consolidated 31 December 2008 $'000	Consolidated 31 December 2007 $'000	Parent 31 December 2008 $'000	Parent 31 December 2007 $'000
Balance at start of period	3,679	17,232	-	-
Additions	7,624	21,382	-	-
Transferred to oil and gas properties	(3,662)	(15,927)	-	-
Expenditure written off*	(1,658)	(17,819)	-	-
Foreign exchange translation	1,351	(1,189)	-	-
Balance at end of period	7,334	3,679	-	-

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

NOTE 14 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:

	Date of Grant	Date of Expiry	Note	$1.22 Options	$0.99 Options	$0.25 Options
31 December 2008						
	4 November 2008	4 November 2012		-	-	1,000,000
	8 May 2007	8 May 2011	14(b)	-	1,000,000	-
				-	1,000,000	1,000,000
31 December 2007						
	13 July 2004	13 July 2008	14(a)	275,000	-	-
	8 May 2007	8 May 2011	14(b)	-	1,400,000	-
				275,000	1,400,000	-

The weighted average remaining contractual life for the share options outstanding as at 31 December 2008 is 37 months (31 December 2007: 34.5 months).

The range of exercise prices for options outstanding at the end of the year was $0.25 - $0.99 (31 December 2007: $0.99-$1.22).

During the year ended 31 December 2008:

(i) 275,000 $1.22 options expired unexercised; and

(ii) 400,000 $0.99 options forfeited.

(a) Employee Option Plan:

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

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

No grants were made under the plan during the year to 31 December 2008 or the year to 31 December 2007.

		31 December 2008		31 December 2007	
		Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period	15(a)(ii)	275,000	1.22	580,000	$1.22
- granted	15(a)(i)	-		-	-
- lapsed		-		-	-
- expired		(275,000)	1.22	(305,000)	$1.22
- exercised		-		-	-
Balance at end of period	15(a)(ii)	-		275,000	$1.22
Exercisable at end of period (i.e. vested)		-		275,000	$1.22

(i) Options granted during the reporting period

There were no options granted by Antares Energy Limited under the Employee Option Plan to employees during the year to 31 December 2008 or the year to 31 December 2007.

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

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

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 31 December 2008	Number of Options 31 December 2007
13 July 2004	13 July 2008	$1.22	-	275,000
			-	275,000

NOTE 14 SHARE OPTIONS & PERFORMANCE RIGHTS (continued)

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

	31 December 2008		31 December 2007	
	Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period (i)	1,400,000	$0.99	1,695,000	$1.34
- granted	1,000,000	$0.25	1,400,000	$0.99
- lapsed	(400,000)	$0.99	-	-
- expired	-		(1,695,000)	$1.34
- exercised	-		-	-
Balance at end of period (i)	2,000,000	$0.62	1,400,000	$0.99
Exercisable at end of period (i.e. vested)	333,333	$0.99	-	-

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

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 31 December 2008	Number of Options 31 December 2007
8 May 2007	8 May 2011	$0.99	1,000,000	1,400,000
4 November 2008	4 November 2012	$0.25	1,000,000	-
			2,000,000	1,400,000

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

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

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

The fair value of options issued is expensed in the financial statements. The amount expensed is based on the fair value of the option at grant date, amortised over the vesting period. In total, for the year to 31 December 2008, $87,994 (2007: $160,000) is expensed in the financial statements in respect of options. This is disclosed in note 4 as part of overall share based payments of $242,000 (2007: $698,000).

NOTE 14 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

Performance Rights

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

As at 31 December 2008 there were two series of performance rights on issue – Series 2 and Series 3. All remaining series 1performance rights were exercised or lapsed during the year.

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. 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. As a result the remaining 2,101,667 performance rights lapsed on 28 March 2008.

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	30%	30%
B) Hydrocarbon production	25%	25%
C) Hydrocarbon reserves	25%	25%
D) Finding and development costs	10%	10%
E) Earnings before interest, tax, depreciation, amortisation and exploration write-offs (EBITDAX)	10%	10%
	100%	100%

Series 3 and 4

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

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

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

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

NOTE 14 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

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

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

				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

The weighted average remaining contractual life of the rights on issue at 31 December 2008 is 49 months (2007: 48 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 2008	31 December 2007
Balance at beginning of period	8,326,792	3,106,250
- granted	4,950,000	6,310,000
- lapsed	(8,461,667)	(813,983)
- exercised*	(815,125)	(275,475)
Balance at end of period	4,000,000	8,326,792
Exercisable at end of period (i.e. vested)	-	85,125

*The weighted average share price on the day of issue of new shares as a result of exercising was $0.09 (2007: $0.780).

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 2008	31 December 2007
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
7 May 2008	7 May 2013	3	$0.022	3,250,000	-
4 November 2008	4 November 2013	3	$0.016	1,700,000	-
				4,950,000	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.

NOTE 14 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

The fair value of each right is estimated on the date of grant using Black-Scholes methodology. The weighted average fair value of rights granted during the period is $0.02 (2007: $0.33). The weighted average assumptions used for the grants made are as follows:

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

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

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

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

For the year to 31 December 2008 $154,006 (2007: $538,000) was expensed in the financial statements and disclosed in note 4 as part of share based payments of $242,000 (2007: $698,000).

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
NOTE 15 TRADE AND OTHER PAYABLES (CURRENT)				
Trade creditors and accruals	557	2,580	434	592

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

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

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
NOTE 16 INTEREST-BEARING LOANS AND BORROWINGS				
Convertible Notes				
Current	18,634	-	18,634	-
Non-Current	-	20,304	-	20,304

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%.

During the year 1,052,446 convertible notes were bought back on market for $0.998 million.

As at 31 December 2008 there was a total of 9,508,789 notes on issue (2007: 10,561,235). The terms of the notes are as follows:

Interest Rate: 10% per annum (payable quarterly in arrears)
Conversion Rate: 1:1 (each note is convertible into one fully paid ordinary share)
Next reset date: 31 October 2009

The notes mature on 30 October 2013. As the next reset date when note-holders can elect to redeem their notes is less than 12 months away, the liability is classified as current. Refer to note 1(a) for further details about the reset date and the implications with respect to going concern.

	Consolidated		Parent	
NOTE 17 PROVISIONS	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Current				
Employee leave benefits	68	204	-	109
Restoration	194	225	-	-
	262	429	-	109
Non Current				
Employee leave benefits	24	47	23	47
Restoration	113	95	-	-
	137	142	23	47
Reconciliation of Movements in Restoration Provision				
Balance at start of period	320	-	-	-
Additions during period	51	312	-	-
Unwinding of present value discount	16	8	-	-
Expenditure	(88)	-	-	-
Foreign exchange movements	88	-	-	-
Balance at end of period	387	320	-	-

NOTE 18 CONTRIBUTED EQUITY

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Issued and paid up capital:				
Fully paid ordinary shares	62,253	59,767	62,253	59,767

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 2008		12 months to 31 December 2007	
	No. of shares	$'000	No. of shares	$'000
Movement in ordinary shares on issue:				
Beginning of the period	159,197,675	59,767	158,500,000	59,682
Share based payments – equity line of credit facility	229,477	86	697,675	300
Placement of shares	24,000,000	2,400	-	-
Shares issued for nil consideration as a result of the exercise of vested performance rights	815,125	-	275,475	-
Shares bought back on-market	-	-	(275,475)	(215)
End of the period	184,242,277	62,253	159,197,675	59,767

Capital management

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

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

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

Management monitor capital by reviewing the level of cash on hand, future revenue streams from oil and gas reserves and assessing the impact of possible future commitments in respect of the convertible notes and the potential capital structure that would be required to meet those potential commitments. The Company has bought-back on market 1,052,446 convertible notes during the year (refer to note 16) to take advantage of market prices below the face value of the convertible notes, improving the Consolidated Entity's capital structure. The next reset date for the convertible notes is in October 2009 and may have a significant impact on the Company's capital structure. Refer to note 1(a) for further details about the reset date and the implications with respect to going concern.

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Total borrowings	19,191	22,884	19,068	20,896
Less cash and cash equivalents	(5,585)	(9,040)	(1,917)	(7,456)
Net debt	13,606	13,844	17,151	13,440
Total equity/(deficiency)	2,516	(4,973)	2,516	(4,973)
Total capital	16,122	8,871	19,667	8,467

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 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

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

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

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

a) Market risk

Interest Rate Risk

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

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

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

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

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Financial Assets – interest bearing				
Cash and cash equivalents	5,585	9,040	1,917	7,456
Trade and other receivables*	-	-	18,793	8,542
Net exposure	**5,585**	**9,040**	**20,710**	**15,998**

*As at 31 December 2008 the parent was entitled to receive interest on its loan to a wholly owned subsidiary at the rate of 8.52% per annum (2007:13.12%), being the Wall Street Journal Prime Rate plus a margin of 5.27%.

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

In the year to 31 December 2008 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 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Judgements of reasonably possible movements:				
Post tax profit – higher/(lower)				
+1.0% (2007:+ 0.5% per annum)	56	45	207	80
-1.0% (2007: - 0.5% per annum)	(56)	(45)	(207)	(80)

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

NOTE 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

Foreign Currency Risk

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

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

At 31 December 2008 and 31 December 2007the Consolidated Entity had no forward foreign exchange contracts in place.

At 31 December 2008, the Group had the following exposures to USD foreign currency:

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Financial Assets				
Cash and cash equivalents	3,853	3,950	186	2,397
Trade and other receivables	1,023	514	18,793	8,579
	4,876	4,464	18,979	10,976
Financial Liabilities				
Payables	132	2,068	-	-
Net exposure	4,744	2,396	18,979	10,976

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

At 31 December 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	
Judgements of reasonably possible movements:	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Post tax profit – higher/(lower)				
AUD/USD + 10% (2007: 5%)	(431)	(114)	(1,725)	(523)
AUD/USD - 10% (2007: 5%)	527	126	2,108	578
Other equity – higher/(lower)				
AUD/USD + 10% (2007: 5%)	-	-	-	-
AUD/USD - 10% (2007: 5%)	-	-	-	-

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 2008 and 31 December 2007 no forward contracts were entered into and there were no open positions at 31 December 2008 or 31 December 2007.

There Group did not hold any financial instruments at 31 December 2008 or 31 December 2007 that would be impacted by a change in commodity price.

NOTE 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

(b) Liquidity risk

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

The Group manages liquidity risk by maintaining adequate banking and borrowing facilities through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities. The Consolidated Entity currently has in place an equity line of credit facility as set out in Note 18.

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

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

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
0 – 6 months	1,509	3,280	1,385	1,292
6 – 12 months	19,651	1,065	19,651	1,065
1 – 5 years	-	23,235	-	23,235
	21,160	27,580	21,036	25,592

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

Consolidated as at 31 December 2008	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	5,585	-	-	-	5,585
Trade and other receivables	1,033	-	-	-	1,033
Other financial assets	-	-	-	-	-
	6,618	-	-	-	6,618
Financial Liabilities					
Payables	558	-	-	-	558
Convertible notes	-	-	18,634	-	18,634
	558	-	18,634	-	19,192
Net exposure	6,060	-	(18,634)	-	(12,574)

Parent as at 31 December 2008	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	1,917	-	-	-	1,917
Trade and other receivables	10	-	-	-	10
Other financial assets	-	-	-	19,649	19,649
	1,927	-	-	19,649	21,576
Financial Liabilities					
Payables	434	-	-	-	434
Convertible notes	-	-	18,634	-	18,634
	434	-	18,634	-	19,068
Net exposure	1,493	-	(18,634)	19,649	1,652

Consolidated as at 31 December 2007	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	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 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

Parent as at 31 December 2007	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	7,456	-	-	-	7,456
Trade and other receivables	37	-	-	-	37
Other financial assets	-	-	-	8,542	8,542
	7,493	-	-	8,542	16,035
Financial Liabilities					
Payables	592	-	-	-	592
Convertible notes	-	-	20,304	-	20,304
	592	-	20,304	-	20,896
Net exposure	6,901	-	(20,304)	8,542	(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 2008 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.

(d) Fair Value

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

The fair values are determined as follows :

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

The fair value of the convertible notes was determined by the price of the convertible notes bought back by the company on 29 December 2008. These notes were bought back at a price of $1.10 per note which equates to a total fair value of $10,459,668 compared to the carrying value of $18,634,000 (2007: fair value approximated carrying value).

NOTE 20 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 2008 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 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Not later than one year	-	529	-	-
Later than one year but not later than 5 years	-	-	-	-
	-	529	-	-

These commitments may vary according to whether:
(i) any of the existing permits are relinquished or converted to other forms of title;
(ii) any of the existing permits are farmed out or sold;
(iii) any new permits are acquired; and
(iv) existing permit expenditure conditions are varied.

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

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

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Minimum lease payments:				
Not later than one year	24	138	24	64
Later than one year but not later than 5 years	-	24	-	24
Total	24	162	24	88

(c) Contingent Assets and Liabilities

There are no contingent assets or liabilities at 31 December 2008.

NOTE 21 INTEREST IN JOINTLY CONTROLLED ASSETS

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'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	1,023	482	-	-
Prepayments	1,821	2,228	-	-
Inventory	-	-	-	-
Non-current assets classified as held for sale	-		-	-
Total current assets	2,844	2,710	-	-
NON-CURRENT ASSETS				
Oil and Gas Properties	6,166	2,793	-	-
Deferred exploration and evaluation expenditure	6,153	3,679	-	-
Total non-current assets	12,319	6,472	-	-
TOTAL ASSETS	15,163	9,182	-	-
CURRENT LIABILITIES				
Trade and other payables	84	1,827	-	-
Provisions	330	225	-	-
Total current liabilities	414	2,052	-	-
NON CURRENT LIABILITIES				
Provisions	107	95	-	-
Total non current liabilities	107	95	-	-
TOTAL LIABILITIES	521	2,147	-	-
NET ASSETS	14,642	7,035	-	-
Revenues	8,099	1,363	-	-
Expenses	(728)	(339)	-	-
Impairment of oil & gas properties and deferred exploration expenditure	(1,914)	(34,437)	-	-
PROFIT/(LOSS) BEFORE TAX	5,457	(33,413)	-	-
Income tax expense	-	-	-	-
Net profit/(loss) after tax	5,457	(33,413)	-	-

(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 2008 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 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'000
Not later than one year	-	529	-	-
Later than one year but not later than 5 years	-	-	-	-
	-	529	-	-

The above commitments are included in the total commitments as set out in note 20.

These commitments may vary according to whether:

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

NOTE 21 INTEREST IN JOINTLY CONTROLLED ASSETS (CONT.)

(ii) At 31 December 2008 the Consolidated Entity held the following interests in oil and gas production and exploration joint ventures:

Joint Venture	**Working Interest**	
	31 Dec 2008	**31 Dec 2007**
Porter's Creek – Wharton County, Texas	25.0%	25.0%
Kenedy Ranch (Group A) – Kenedy County, Texas	5.0%	5.0%
Shaeffer Ranch – Jim Wells, Live Oak and Duvall Counties, Texas	50.0%	50.0%
Oyster Creek – Brazoria County, Texas	75.0%	75.0%
Scott-2 (Oyster Creek) – Brazoria County Texas	67.5%	67.5%
Yellow Rose – McMullen County, Texas	50.0%	50.0%
West Wharton – Wharton County, Texas	26.2%	26.2%
HPY – Jim Wells County, Texas**	50.0%	50.0%
Rowena Wilcox – Jim Wells County, Texas**	50.0%	50.0%
Wilbeck – Wharton County, Texas***	-	30.0%
Kenedy Ranch (Group B) – Kenedy County, Texas***	-	50.0%
Lonesome Dove – Jim Wells County, Texas**/***	-	50.0%
New Taiton – Wharton County, Texas***	-	25.0%
Little Bear – Victoria County, Texas*	-	23.5%

* Joint venture assets sold during the year to 31 December 2008.

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

*** Joint venture project completed or elected not to continue in 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 2008. All joint operations are located onshore Texas, USA.

NOTE 22 RELATED PARTY DISCLOSURES

(i) ULTIMATE PARENT

Antares Energy Limited is the ultimate parent company.

(ii) CONSOLIDATED ENTITY

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

	Country of Incorporation	Class of Share	% Equity interest 31 December 2008	% Equity interest 31 December 2007	Investment ($'000) 31 December 2008	Investment ($'000) 31 December 2007
Controlled entities of Antares Energy Limited:						
Santa Energy Pty Ltd	Australia	Ord Shares	100	100	-	-
Controlled entities of Santa Energy Pty Ltd:						
Antares Energy Company	USA	Common Stock	100	100		

(iii) WHOLLY OWNED GROUP TRANSACTIONS

Transactions between Antares Energy Limited and other entities in the wholly-owned group during the year ended 31 December 2008 and the year ended 31 December 2007 consisted of:

(a) Interest of $3,970,738 (2007: $2,115,702) was charged on the loans during the period; and
(b) impairment of loan from the company to its subsidiary, Antares Energy Company (refer note 9).

	Parent 31 December 2008 $'000	Parent 31 December 2007 $'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
Dividends received from subsidiary	-	85
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Antares Energy Company (i)	49,719	34,036
Santa Energy Pty Ltd (ii)	28,575	26,325
Total due	78,294	60,361
Provision for non-recovery (iii)	(58,645)	(51,819)
	19,649	8,542
Reconciliation		
Reconciliation of the provision for non-recovery:		
Balance at start of period	51,819	15,604
Increase in provision for impairment	10	33,407
Effect of foreign exchange	6,816	2,808
Balance at end of period	58,645	51,819

(i) The amount due from Antares Energy Company is considered to be recorded at fair value due to a market rate of interest being applied (refer to note 19(a)). The loan is due for repayment in 2017.
(ii) The amount due from Santa Energy Pty Ltd is non-interest bearing, is repayable upon demand and has been fully provided for.
(iii) The 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 12 and 13 respectively.

NOTE 23 EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2008 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

- The Stewart-1 side-track well was drilled during the first quarter of 2009 at a cost of approximately $1.62 million. The well was unsuccessful and has been plugged and abandoned. These costs had been prepaid as at 31December 2008 (refer to note 10) and will be expensed in the 2009 financial year.

NOTE 24 AUDITOR'S REMUNERATION

The auditor of Antares Energy Limited is Ernst & Young.

	Consolidated		Parent	
	31 December 2008 $'000	31 December 2007 $'000	31 December 2008 $'000	31 December 2007 $'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	132	124	132	124
- other assurance services	-	-	-	-
- tax and compliance services	37	71	37	71
	169	195	169	195

NOTE 25 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) Directors

R.A. Elliott	Chairman (non-executive)
W.R.B. Hassell	Director (non-executive)
J.A. Cruickshank	Managing Director and Chief Executive Officer from 1 July 2008 Executive Director to 30 June 2008
H.M. McLaughlin	Managing Director and Chief Executive – resigned 30 June 2008
F.D. Campbell	Director (non-executive) – resigned 1 April 2008

(ii) Executives

D.J. Rich	Company Secretary and Chief Financial Officer – resigned 25 September 2008
D.M. Scull	Vice President – New Ventures and acting General Manager – USA – resigned 26 February 2008
H. Lennerts	Company Secretary - appointed 4 November 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 by Category: Key Management Personnel

	Consolidated		Parent	
	2008 $	2007 $	2008 $	2007 $
Short-Term	943,004	2,149,000	587,370	1,590,000
Post Employment	30,655	42,000	30,655	42,000
Termination benefits	94,709	-	94,709	-
Share-based Payments	185,682	426,000	87,994	414,000
	1,254,050	2,617,000	800,728	2,046,000

NOTE 25 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(ii) Shareholdings of Key Management Personnel (Consolidated)

31December 2008	Balance 1 Jan 08	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 08 or resignation date
Directors					
R.A. Elliott	2,500,000	-	-	-	2,500,000
J.A. Cruickshank	6,389,500	-	-	519,479	6,908,979
W.R.B. Hassell	190,000	-	-	-	190,000
H.M. McLaughlin	1,230,000	-	400,000	126,000	1,756,000
F.D. Campbell	125,000	-	-	-	125,000
Executive					
D.J. Rich	270,764	-	-	-	270,764
D.M. Scull	-	-	64,500	-	64,500
Total	10,705,264	-	464,500	645,479	11,815,243

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
J.A. Cruickshank	6,340,000	-	49,500	-	6,389,500
W.R.B. Hassell	190,000	-	-	-	190,000
H.M. McLaughlin	1,147,500	-	82,500	-	1,230,000
F.D. Campbell	125,000	-	-	-	125,000
Executive					
D.J. Rich	210,264	-	60,500	-	270,764
Total	10,512,764	-	192,500	-	10,705,264

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

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

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

* All options vested at 31 December 2008 are exercisable.

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	-
H.M. McLaughlin	$1.35	1,500,000	-	(1,500,000)	-	-	-
F.D. Campbell	$0.99	-	-	-	400,000	400,000	-
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 25 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

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

As at 31 December 2008 the following Key Management Personnel held convertible notes:

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

31December 2007	Balance 1 July 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

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

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

2008		Total Number of Unvested Rights on Issue				
	As at 1 January 2008	Vested	Lapsed	Granted (series 3)	As at 31 December 2008	Vested Rights on Issue 31 Dec 2008
Directors						
H.M. McLaughlin	1,700,000	(400,000)	(1,300,000)	-	-	-
J.A. Cruickshank	1,100,000	(106,667)	(793,333)	1,000,000	1,200,000	-
Executives						
D.J. Rich	1,166,667	-	(2,166,667)	1,000,000	-	-
D.M. Scull	1,100,000	(64,500)	(1,035,500)	-	-	-
Total:	5,066,667	(571,167)	(5,295,500)	2,000,000	1,200,000	-

2007		Total Number of Unvested Rights on Issue				
	As at 1 January 2007 (Series-1)	Vested	Lapsed	Granted (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

(vi) Loans to Key Management Personnel

During the year ended 31 December 2008 and year ended 31 December 2007 there were no loans made to any Key Management Personnel and there were no loans outstanding as at 31 December 2008 or 31 December 2007.

(vii) Other transactions and balances with Key Management Personnel

During the year ended 31 December 2008 and the year ended 31 December 2007 there were no transactions with Key Management Personnel other than those described above. At 31 December 2008 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 2008 and of their performance for the year period ended on that date; and

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

(b) subject to the matters set out in Note 1(a), 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 2008.

On behalf of the Board.

R.A. ELLIOTT
Chairman

West Perth, Western Australia
31 March 2009

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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

Report on the Financial Report

We have audited the accompanying financial report of Antares Energy Limited, which comprises the balance sheet as at 31 December 2008, 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.

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, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion:

1. the financial report of Antares Energy Limited is in accordance with the *Corporations Act 2001*, including:

   a. giving a true and fair view of the financial position of Antares Energy Limited and the consolidated entity at 31 December 2008 and of their performance for the year ended on that date; and

   b. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to the following matter. As a result of the matters described in Note 1(a) to the financial report, there is significant uncertainty whether the company and the consolidated entity will be able to continue as going concerns and therefore whether they will be able to pay their debts as and when they fall due and realise their assets and extinguish their liabilities in the normal course of business at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as going concerns.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 5 to 10 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Antares Energy Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A Buckingham
Partner
Perth
31 March 2009

GB:JC:ANTARES:072

SHAREHOLDER INFORMATION
AS AT 18 MARCH 2009

Ordinary Shares

(a) Twenty Largest Shareholders

		Number of Shares	% of issued shares
1.	HEP Oil Gp LLC	24,000,000	13.03%
2.	Yandal Investments Pty Ltd	10,000,000	5.43%
3.	Newport Securities Pty Ltd	9,074,771	4.93%
4.	Citicorp Nominees Pty Ltd	7,028,356	3.81%
5.	Cruickshank, James Andrew	6,908,979	3.75%
6.	National Nominees Limited	6,890,088	3.74%
7.	Link Enterprises (International)	4,450,000	2.42%
8.	Athabasca Pty Ltd	3,317,962	1.80%
9.	ANZ Nominees Limited	2,596,316	1.41%
10.	Metro West Investments Pty Ltd	2,500,000	1.36%
11.	Essential Faith	2,000,000	1.09%
12.	Shea, Rodney Alexander	1,981,000	1.08%
13.	HSBC Custody Nominees	1,893,648	1.03%
14.	Clohessy, Mark	1,850,000	1.00%
15.	McLaughlin, Howard	1,756,000	0.95%
16.	Johjam Pty Ltd	1,600,000	0.87%
17.	Kerr-Sheppard, Jonathan B	1,350,000	0.73%
18.	Naisos Holdings Pty Ltd	1,320,327	0.72%
19.	Merrill Lynch (Australia) Nominees Pty Ltd	1,184,679	0.64%
20.	Ianball Investments Pty Ltd	1,031,640	0.56%
Total		**92,733,766**	**50.35%**

(b) Distribution of Shareholdings

	Number of Shareholders	Number of Shares Held
1 - 1,000	821	354,012
1,001 - 5,000	1,183	3,541,498
5,001 - 10,000	722	5,900,046
10,001 - 100,000	1,096	34,496,914
100,00 - and over	205	139,949,807
Total	**4,027**	**184,242,277**

(c) Substantial Shareholders

	Number of Shares	% of Issued Shares
HEP Oil Gp LLC	24,000,000	13.03%
Yandal Investments Pty Ltd	10,000,000	5.43%

(d) Unmarketable Parcels
There were 2,797 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.

.

Convertible Notes

(a) Twenty Largest Convertible Note Holders

		Number of Convertible Notes	% of Issued Convertible Notes
1.	HSBC Custody Nominees	5,436,200	57.83%
2.	Metro West Investments Pty Ltd	670,012	7.13%
3.	Link Enterprises (International)	536,999	5.71%
4.	Naisos Holdings Pty Ltd	235,000	2.50%
5.	Kaysu Holdings No. 2 Pty Ltd	231,500	2.46%
6.	Dorran Pty Ltd	150,000	1.60%
7.	Yardi Jason	136,000	1.45%
8.	Constable Michael Edward	128,000	1.36%
9.	Kampar Pty Ltd	116,870	1.24%
10.	Cap Entps WA Pty Ltd	100,000	1.06%
11.	Gimbala Pty Ltd	100,000	1.06%
12.	ANZ Nominees Limited	87,500	0.93%
13.	Le Cornu, David J and BL	76,000	0.81%
14.	Barnard, Keith Raymond	62,000	0.66%
15.	RBC Dexia Investor Services	50,000	0.53%
16.	Newman Jocelyn & Holman J A	50,000	0.53%
17.	O'Brien, Duncan	50,000	0.53%
18.	Robos Pty Ltd	35,000	0.37%
19.	Kaysu Hldgs No 2 Pty Ltd	35,000	0.37%
20.	HK Business Cons Pty Ltd	35,000	0.37%
Total		**8,321,081**	**88.50%**

(b) Distribution of Convertible Note Holdings

	Number of Convertible Note Holders	Number of Convertible Notes Held
1 - 1,000	6	4,644
1,001 - 5,000	82	273,564
5,001 - 10,000	23	202,495
10,001 - 100,000	44	1,278,716
100,00 - and over	9	7,640,581
Total	**164**	**9,400,000**

(c) Voting Rights

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

(d) Exchanges

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

(g) On-market Convertible Note Buy Back

In the period from 1 January 2008 to 18 March 2009 the Company bought back 1,161,235 convertible notes on-market.

LIST OF INTERESTS
AS AT 18 MARCH 2009

USA

Wells

Project	State	County	Wells	Working Interest	Net Revenue Interest
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%
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
Porters Creek	TX	Wharton
Shaeffer Ranch	TX	Duvall Live Oak Jim Wells
Yellow Rose	TX	McMullen
Oyster Creek	TX	Brazoria
West Wharton	TX	Wharton

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 2pm on Thursday 28th May 2009 at the Celtic Club, 48 Ord St, West Perth, Western Australia 6005.

This page has been left blank intentionally.

This page has been left blank intentionally.

ANTARES ENERGY LIMITED