2013 ANNUAL REPORT

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2013

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

CONTENTS

COMPANY DIRECTORY

DIRECTORS:
James Cruickshank, Executive Chairman & CEO
Gregory Shoemaker, Chief Scientist
Mark Clohessy, Non-Executive Director
Vicky McAppion, Finance & Administration Manager
Kelli Roach, General Counsel and Chief Administrative Officer

COMPANY SECRETARY:
Graeme Smith

REGISTERED OFFICE:
Ground Floor, 63 Hay Street
Subiaco, WA, 6008
Telephone: + 61 (0) 417 174 773
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 3pm on Wednesday, 14 May 2014 at the Parmelia Hilton Perth, 14 Mill Street, Perth, Western Australia 6000.

CHAIRMAN'S LETTER

Antares during 2013 continued its strategy of developing its Permian assets. This strategy began in 2011 when it acquired and developed its three Permian projects being Southern Star, Northern Star and Big Star. In 2012 Antares achieved its two principle objectives being to hold Southern Star by production and exceed gross daily production of 2,500 BOED. In 2013 the implementation of Antares' Permian strategy continued with the endeavor to achieve commercial success in Northern Star. This was achieved with the drilling and commercial development of Cozart 19. The strategy then required the drilling of additional Northern Star wells so as to assess if the commercial success of Cozart 19 was repeatable. Debnam 22 was deepened, Cozart 11 and Pettaway 1 were drilled and all three wells completed to sales. The Board of Directors preliminary assessment is that Northern Star can be commercially developed and thus full field development should be pursued as this will result in the greatest creation of wealth for shareholders.

The Board is currently assessing the best commercial options for the full field development of Northern Star including; the sale of assets and redeployment of capital, joint ventures and all funding options.

Antares during the year bought back 2,000,000 shares at an average price of 35.1 cents resulting in a total buy back of 45,307,277 shares at an average price of 41.1 cents. Thus Antares has now returned $18,621,290 to shareholders through this process.

Share price growth of +11.11% was achieved this year against the S&P/ASX 300 MET & MIN (XMM) -8.34% and the Small Ords (XSO) -3.81%.

This year we had a senior executive being Matt Gentry, Director – Chief Operating Officer depart in order to pursue greater financial rewards with another company within the oil industry. This is the second time Antares has received the resignation of a senior executive so as to be able to pursue higher remuneration with another Exploration and Production company. Antares must be competitive within the context of the industry with the remuneration it makes available to senior executives otherwise Antares will not be able to retain high quality, successful senior executives.

I thank shareholders of Antares for your support and confidence in the Board of Directors and current management of the company. The Board of Directors and I are eager to continue the implementation of the company's Permian projects strategic plan.

J. A. CRUICKSHANK
Chairman
31 March 2014

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 2013.

1. DIRECTORS

The directors in office at any time during the year to 31 December 2013 and until the date of this report are as follows. Directors were in office for this entire period unless specified otherwise.

James Andrew Cruickshank, B.Com, GDipAppnFin, FAICD, ASA, F.Fin
Executive Chairman, Managing Director & Chief Executive Officer

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

Gregory David Shoemaker, B.Sc. Geosciences (Geophysics)
Director & Chief Scientist

Mr Shoemaker has over 30 years of experience in onshore/offshore international and US exploration projects in which he has principally served as a lead Geoscientist. Mr Shoemaker's most recent position within Antares was that of Chief Geophysicist. Prior to joining Antares, Mr Shoemaker has served as an Exploration and General Manager in European onshore/offshore seismic and drilling campaigns and as a New Ventures Specialist with worldwide experience in over 250 basins. He is a graduate of The University of Texas (B.Sc. – Geosciences (Geophysics Major/Geology Minor)). Mr Shoemaker holds memberships in the Society of Exploration Geophysicists (SEG) and the Houston Geological Society (HGS). Mr Shoemaker has held no other public company directorships during the past three years.

Vicky Ann McAppion, CSA (Certificate in Governance, Practice and Administration)
Director & Finance & Administration Manager

Mrs McAppion has over 20 years accounting experience in the energy and resource industries. Mrs McAppion's most recent position within Antares Energy was that of Finance & Administration Manager. Prior to joining Antares, Mrs McAppion served in various accounting roles within Rio Tinto Limited for eleven years. Mrs McAppion has held no other public company directorships during the past three years.

Kelli Roach, BA, MA, JD
Director & Chief Counsel & Chief Administrative Officer

Ms Roach has served as outside counsel for Antares Energy Company since 2003 and has more than 14 years of experience representing oil & gas and business clients in a variety of matters including oil & gas transactions, commercial matters and corporate governance. Ms Roach began her practice of law with the international law firm, Fullbright & Jaworski, LLP and thereafter practiced with smaller law firms until opening the Roach Law Group, PC in 2004. Ms Roach is a graduate of Southern Methodist University (J.D.) and the University of Texas in Dallas (B.A. Government and Politics; M.A. International Management). Additionally, Ms Roach is a member of the American Bar Association, the State Bar of Texas, and the Dallas Bar Association and its Energy Law, Corporate Counsel and Labour and Employment Law sections. Ms Roach has held no other public company directorships during the past three years.

Mark Gerard Clohessy BA, GDippAppFin, F.FIN, Cert REM
Non Executive Director

Mr Clohessy is Managing Director of Structured Property Finance Pty Ltd with over 25 years of experience in the commercial property finance industry. Prior to commencing his own consultancy business Mr Clohessy was a shareholder and Director of Security Capital Corporation Pty Ltd (SCC) for 20 years. SCC is one of Australia's oldest and most respected Financial Broking Houses.

Mr Clohessy is also a responsible officer of Property Capital Australia Ltd which holds an Australian Financial Services License and is one of Australia's largest private property syndicators.

Mr Clohessy is also a shareholder and Director of Australian Superannuation and Compliance Pty Ltd which specialises in the management of Self Managed Superannuation Funds.

Mr Clohessy is a Fellow of the Financial Services Institute of Australasia and holds membership of the Mortgage Finance Association of Australia (MFAA) Mr Clohessy is Chairman of the Audit and Compliance Committee, Remuneration Committee and Nomination Committee of Antares Energy Limited. Mr Clohessy has held no other public company directorships during the past three years.

Matthew David Gentry, M.Sc. Geology, B.Sc. Geoscience– Director & Chief Operating Officer, resigned 15 January 2013

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

COMPANY SECRETARY

Graeme Smith, BEc, MBA, MComLaw, FCPA, FCIS, FGIA MAusIMM

Graeme Smith is a finance professional with over 25 years' experience in accounting and company administration. He graduated from Macquarie University with a Bachelor of Economics degree and has since received a Master of Business Administration and a Master of Commercial Law. He is a Fellow of both the Australian Society of Certified Practicing Accountants and the Chartered Institute of Secretaries and Administrators.

Mr Smith has held CFO and Company Secretary positions with Top 10 Australian and overseas mining companies and is a director of Rubianna Resources Limited and Anglo Australian Resources NL.

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

Name of Director	**Fully Paid Ordinary Shares**
J.A. Cruickshank	10,375,000
G.D. Shoemaker	809,665
V.A. McAppion	198,226
K. Roach	-
M.G. Clohessy	2,765,000

During the year to 31 December 2013 nine directors' meetings were held. The number of meetings attended by each director and the number of meetings held during each director's term of office during the financial year are shown below.

	Board of Directors' Meetings		Remuneration Committee Meetings		Audit and Compliance Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
J.A. Cruickshank	9	9	1	1	2	2
G.D. Shoemaker	9	9	-	-	-	-
V.A. McAppion	9	9	-	-	-	-
K. Roach	9	9	-	-	-	-
M.G. Clohessy	9	9	1	1	2	2
M.D. Gentry	0	0	-	-	-	-

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

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

2. PRINCIPAL ACTIVITIES

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

3. FINANCIAL RESULTS

The net profit after income tax of the Consolidated Entity for the year ended 31 December 2013 was $22.943 million (2012: loss of $7.929 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 2013 and to the date of this report no fully paid ordinary shares have been issued as a result of the exercising of options.

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

Since 31 December 2013 and to the date of this report no options have been issued. Refer to Note 25 of the financial statements for more details.

6. CORPORATE STRUCTURE

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

7. OPERATING AND FINANCIAL REVIEW

Overview of the Consolidated Entity

Antares Energy Limited is determined to be a successful exploration and production company pursuing oil and gas opportunities located onshore Texas, United States of America.

Performance Indicators

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

Operating Results for the Period

	Year ended 31 December 2013	Year ended 31 December 2012
Production (BCFe)	0.8	1.0
Production ('000 BOE)	219	224
Sales revenue ($mil.)	24.686	26.531
Overall net profit / (loss) after tax ($mil.)	22.943	(7.929)
Operating cashflow ($mil.)	16.541	11.444

Antares maintains its discipline in the execution of its Permian strategy for the greatest possible creation of shareholder wealth. Having achieved the first objective of holding Southern Star by production, Antares moved on to the testing of Northern Star through the drilling of Cozart 19. Commercial success was achieved and then the deepening of Debnam 22 and the drilling of Cozart 11 and Pettaway 1 have added support to the repeatability of this commercial outcome.

Antares is now assessing the best commercial option for the full field development of Northern Star which will result in the creation of the most possible wealth for shareholders..

Reserves Position

Estimates of the proved, probable and possible reserves and resultant future cash flows of the Consolidated Entity's oil and gas assets as at 31 December 2012 are below. The estimates were prepared by Netherland Sewell Associates Inc (Southern Star HBP area) and Mr Greg Shoemaker, the Company's Chief Scientist, in accordance with generally accepted engineering and evaluation principles as set forth by the Society of Petroleum Engineers – Petroleum Resources Management System (SPE – PRMS). The Company estimated the net reserves and net cash flows of the Consolidated Entity as at 31 December 2013 to be as follows:

	Net Reserves				Future Net Cash Flow ($)*	
Category	**Oil (M Barrels)**	**NGLs (M Barrels)**	**Gas (MMcf)**	**BOE (Mboe)**	**Total (USD)**	**Present Worth at 10% (USD)**
Proved Developed						
Producing	3,767.32	2,778.80	17,071.93	10,391.85	217,422,500	90,409,100
Non-Producing	-	-	-	-	-	-
Proved Undeveloped	2,916.73	1,703.80	10,153.91	4,823.23	102,493,300	33,271,620
Total Proved	**6,684.05**	**4,482.60**	**27,225.84**	**15,215.08**	**319,915,800**	**123,680,720**
Probable	24,479.53	5,268.50	49,475.19	37,986.60	891,434,400	133,568,200
Proved + Probable	**31,163.58**	**9,751.10**	**76,701.03**	**53,201.68**	**1,211,350,200**	**257,248,920**
Possible	11,259.68	276.90	14,198.98	13,626.18	400,193,800	25,569,420
Proved +Probable + Possible	**42,423.26**	**10,028.00**	**90,900.01**	**66,827.86**	**1,611,544,000**	**282,818,340**
Less 2013 production	**0.22**	**0.16**	**0.78**	**0.218**		

* Basic assumptions are:

(i) Summarised in the above table are the estimates of net reserves and future net cash flow. Future net cash flow is after deducting estimated production and ad valorem taxes, operating expenses and future capital expenditures but before consideration of federal income taxes. The net reserves and future net cash flow to the Antares' interest, as of 31 December 2012 have been calculated using commodity prices of $94.71/bo, $2.85/mcf and $33.81/bbl NGLs. Liquid yields for Southern Star HBP, Southern Star Northern Extension and Northern Star were estimated using yields of 124, 117, and 250 bbl/mmcf respectively. All 1P net reserves are based on 40 acre locations for the Permian Basin producing projects.

(ii) NGL yields for Southern Star HBP, Southern Star Northern Extension and Northern Star were estimated using yields of 124, 117, and 250 bbl/mmcf respectively (yields have variable shrink factors from plant statements and are normalized for estimation). Dry gas volumes are converted to boe by dividing by 6 boe/mcf.

(iii) All 1P net reserves are based on 40 acre locations for the Permian Basin producing projects.

(iv) The estimates of net reserves were prepared with deterministic methods utilizing technical and economic data such as well test data, production data, historical price and cost information, and property ownership interests. These estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation methods as set out in SPE Standards for estimating and auditing oil and gas reserves

(v) 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.

(vi) This report is based on information which has been compiled by Antares Energy's Chief Scientist, Mr Greg Shoemaker, who is a full-time employee of Antares Energy. Mr Shoemaker exceeds the professional qualifications of reserve estimators as set forth by the SPE/WPC/AAPG/SPEE Petroleum Resource Management System (SPE-PRMS). Mr Shoemaker is qualified in accordance with ASX Listing Rule 5.11 and has consented to the form and context in which this statement appears.

Shareholder Returns
The following table shows the last five years financial performance against shareholder returns as measured by the closing share price at 31 December each year.

	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010	31 Dec 2009
Sales revenue ($'million)	24.686	26.536	8.920	3.859	3.373
Net profit/(loss) after tax ($'million)	22.943	(7.929)	(3.734)	75.379	(3.195)
Basic earnings/(loss) per share (cents)	8.9	(3.1)	(1.4)	23.5	(1.6)
Closing period end share price ($)	0.55	0.43	0.41	0.61	0.05

Notes:
1. No dividends were paid at any time over the last five years.
2. In the 12 months to 31 December 2013, the Company bought back 2,000,000 shares on-market at an average price of $0.35. (2012: 3,000,000 @ $0.388).
3. Sales revenue, net profit after tax and EPS include discontinued operations.

Strategy and Investments for Future Performance
The Company has a strategy to explore, develop and produce hydrocarbons onshore, Texas, USA. The company has an operational office in Dallas, Texas and a corporate office remains in Perth, Western Australia.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

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

9. REMUNERATION REPORT (AUDITED)

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

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

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

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

Hedging of equity awards

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

9.2 Executive Chairman and Executive Directors

Fixed remuneration

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

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

Variable remuneration

Variable remuneration is designed to reward the executive chairman and executive directors for meeting or exceeding financial, operational and/or individual objectives or expectations. While these criteria are used as a guide, the awarding of variable remuneration is at the discretion of the board. Those incentives are an "at risk" bonus provided in the form of cash and/or performance rights. Cash bonuses totalling $140,246 were granted at the discretion of the board during 2013 and were paid in full by 31 December 2013.

Performance Rights

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

Under the plan the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights. Hurdles are linked to the Company's share price. One ordinary share is issued upon the exercising of one performance right. The rights are issued for nil consideration and a vested performance right can be exercised for nil consideration.

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

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

As at 31 December 2013 there was only one series of performance right on issue, Series 6. None of the hurdles for series 6 were reached and all performance rights have now lapsed.

Series 6

The Series 6 performance periods commenced in 2010 with a third vesting, dependent on performance hurdles, for each of the years ending 31 December 2011, 2012 and 2013.

These performance rights were granted on 26 May 2010 with a first exercise date of approximately 31 March 2012 and a last exercise date of 1 July 2015. The weighted average value per right at the date of grant was $0.37.

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

The performance hurdles are as follows: **Hurdle Weighting**

Series 6

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

At 31 December 2013 these condition has not been met.

2013	Grant date	First Exercise Date	Last Exercise Date	Opening Balance	Granted	Vested	Lapsed	Closing Balance
Directors								
J.A. Cruickshank	26 May 2010	31 Mar 2010	01 Jul 2015	1,000,000	-	-	1,000,000	-
G.D. Shoemaker	26 May 2010	31 Mar 2010	01 Jul 2015	500,000	-	-	500,000	-
M.G. Clohessy	26 May 2010	31 Mar 2010	01 Jul 2015	166,667	-	-	166,667	-
V.A McAppion	26 May 2010	31 Mar 2010	01 Jul 2015	333,333	-	-	333,333	-
M D. Gentry*	26 May 2010	31 Mar 2010	01 Jul 2015	500,000	-	-	500,000	-
Total:				**2,500,000**		**-**	**2,500,000**	**-**

* Resigned 15 January 2013

2012	Grant date	First Exercise Date	Last Exercise Date	Opening Balance	Granted	Vested	Lapsed	Closing Balance
Directors								
J.A. Cruickshank	26 May 2010	31 Mar 2010	01 Jul 2015	2,000,000	-	-	1,000,000	1,000,000
G.D. Shoemaker	26 May 2010	31 Mar 2010	01 Jul 2015	1,000,000	-	-	500,000	500,000
M.G. Clohessy	26 May 2010	31 Mar 2010	01 Jul 2015	333,333	-	-	166,667	166,667
V.A McAppion	26 May 2010	31 Mar 2010	01 Jul 2015	666,667	-	-	333,333	333,333
M D. Gentry	26 May 2010	31 Mar 2010	01 Jul 2015	1,000,000	-	-	500,000	500,000
Total:				**5,000,000**		**-**	**2,500,000**	**2,500,000**

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
2013				
Directors				
J.A. Cruickshank	-	-	550,000	-
G.D. Shoemaker	-	-	275,000	-
M.G. Clohessy	-	-	91,667	-
V.A. McAppion	-	-	183,333	-
M.D. Gentry*	-	-	272,500	-
2012				
Directors				
J.A. Cruickshank	-	-	495,000	-
G.D. Shoemaker	-	-	247,500	-
M.G. Clohessy	-	-	82,500	-
V.A. McAppion	-	-	165,000	-
M.D.Gentry	-	-	247,500	-

* 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 value at the time of exercise and lapse. The rights lapse when performance hurdles are not met and cannot be exercised by the holder. M D Gentry calculated at date of resignation.

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

Options

No options were granted during the year ended 31 December 2013.

As of the date of this report, no options have been granted or exercised, since 31 December 2013.

Cash bonus

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

Other benefits

In accordance with generally acceptable work practices in the United States, medical insurance is provided to all 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 twelve months' notice and that the Consolidated Entity retains the right to terminate the contract immediately, by making payment in lieu of notice.

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

As at 31 December2013, there are no fixed term employment agreements.

9.3 Non-executive directors

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

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

9.4 Key management personnel

Directors

J.A. Cruickshank	Executive Chairman appointed 16 October 2009 Managing Director and CEO from 1 July 2008
G.D. Shoemaker	Chief Scientist – appointed 16 October 2009
V.A. McAppion	Director, Finance & Administration Manager– appointed 16 October 2009
M.G. Clohessy	Director (non-executive) – appointed16 October 2009
K.L. Roach	Director, General Counsel and Chief Administrative Officer – appointed 3 January 2012
M.D. Gentry	Chief Operating Officer – appointed 16 October 2009, resigned 15 January 2013

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				Long-Term	Post Employ-ment	Share-Based Payments	Total	Total Perform-ance Related
Year to 31 Dec 2013	Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Other $	Long-Service Leave $	Super-annuation $	Performance Rights(vi) $	$	
Directors									
J.A. Cruickshank (ii)	660,878	59,675	29,040	145,280	20,275	-	107,805	**1,022,953**	16.4%
G D Shoemaker (iii)	360,266	32,550	30,720	-	-	-	53,902	**477,438**	18.1%
M G Clohessy	82,568	-	-	-	-	7,534	17,967	**108,069**	16.6%
V McAppion	185,656	15,471	4,806	-	3,169	16,972	35,935	**262,009**	19.6%
K L Roach (iv)	360,266	32,550	12,108	-	-	-	-	**404,924**	8.0%
M D Gentry (v)	21,725	-	477	-	-	-	(139,247)	**(117,045)**	-
Total	**1,671,359**	**140,246**	**77,151**	**145,280**	**23,444**	**24,506**	**76,362**	**2,158,348**	

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

(ii) Mr Cruickshank's salary is paid in US dollars and totalled US$635,610 for the year ended 31 December 2013. His salary has been translated to A$660,878 using an average exchange rate of 0.9618.

(iii) Mr Shoemakers' salary is paid in US dollars and totalled US$346,500 for the year ended 31 December 2013. His salary has been translated to A$360,266 using an average exchange rate of 0.9618.

(iv) Ms Roach's salary is paid in US dollars and totalled US$346,500 for the year ended 31 December 2013. Her salary has been translated to A$360,266 using an average exchange rate of 0.9618.

(v) Mr Gentry's salary is paid in US dollars and totalled US$22,799 for the year ended 31 December 2013. His salary has been translated to A$21,725 using an average exchange rate of 1.0494. Mr Gentry resigned 15 January 2013

(vi) Represents the value of performance rights expensed during the year. All performance rights able to be vested in 2013 lapsed and no performance rights were issued to Directors.

	Short-Term				Long-Term	Post Employ-ment	Share-Based Payments	Total	Total Perform-ance Related
Year to 31 Dec 2012	Salary & Fees $	Cash Bonus $	Non Monetary Benefits $	Other $	Long-Service Leave $	Super-annuation $	Performance Rights(vi) $	$	
Directors									
J.A. Cruickshank (ii)	556,808	46,048	20,179	134,721	-	-	255,482	**1,013,238**	29.8%
G D Shoemaker (iii)	425,675	25,117	20,179	-	-	-	127,741	**598,712**	25.5%
M G Clohessy	82,569	-	-	-	-	7,431	42,580	**132,580**	32.1%
V McAppion	196,674	15,313	2,332	-	21,391	15,547	85,161	**336,418**	29.9%
K L Roach (iv)	303,337	25,117	4,221	-	-	-	-	**332,675**	7.5%
M D Gentry (v)	445,943	26,313	7,864	-	-	-	127,741	**607,861**	25.3%
Total	**2,011,006**	**137,908**	**54,775**	**134,721**	**21,391**	**22,978**	**638,705**	**3,021,484**	

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

(ii) Mr Cruickshank's salary is paid in US dollars and totalled US$577,500 for the year ended 31 December 2012. His salary has been translated to A$556,808 using an average exchange rate of 1.0372.

(iii) Mr Shoemakers' salary is paid in US dollars and totalled US$442,218 for the year ended 31 December 2012. His salary has been translated to A$425,675 using an average exchange rate of 1.0372.

(iv) Ms Roach's salary is paid in US dollars and totalled US$315,000 for the year ended 31 December 2012. Her salary has been translated to A$303,337 using an average exchange rate of 1.0372.

(v) Mr Gentry's salary is paid in US dollars and totalled US$463,274 for the year ended 31 December 2012. His salary has been translated to A$445,943 using an average exchange rate of 1.0372. Mr Gentry resigned 15 January 2013

(vi) Represents the value of performance rights expensed during the year. All performance rights able to be vested in 2012 lapsed and no performance rights were issued to Directors.

9.6 Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based issue of rights based on key performance indicators, and the second being the issue of options to encourage the alignment of personal and shareholder interests. No options have been issued in the 2013 year. Whilst the Company's results and its share price have fluctuated over the past five years, the Company believes the adoption of performance related KPI's provide both an incentive and a reward to those who have excelled. The KPI's target areas the Board believes hold greater potential for expansion and profit, covering financial and non-financial areas.

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

9.7 Company performance and the link to remuneration

The following table shows the last five years financial performance against shareholder returns as measured by the closing share price at 31 December each year.

	12 months to 31 Dec 2013	**12 months to 31 Dec 2012**	**12 months to 31 Dec 2011**	**12 months to 31 Dec 2010**	**12 months to 31 Dec 2009**
Sales revenue ($'million)	24.686	26.531	8.920	3.859	3.373
Net profit/(loss) after tax ($'million)	22.943	(7.929)	(3.734)	75.379	(3.195)
Basic earnings/(loss) per share (cents)	8.9	(3.1)	(1.4)	23.5	(1.6)
Closing period end share price ($)	0.55	0.49	0.43	0.41	0.61

Notes:
1. No dividends were paid at any time over the last five years.
2. In the 12 months to 31 December 2013, the Company bought back 2,000,000 shares on-market at an average price of $0.35. (2012: 3,000,000 @ $0.388
3. Sales revenue, net profit after tax and EPS include discontinued operations.

Performance rights
There is currently 1 series of performance rights available to KMP's being Series 6. None of the performance rights hurdles were met and this series of performance rights has now lapsed.

End of Remuneration Report

10. INDEMNIFICATION OF DIRECTORS AND COMPANY SECRETARY

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

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

11. RISK MANAGEMENT

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

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

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

The following are a range of risks which may adversely affect the Company.

Operating Risks - The Company's businesses are subject to numerous operating risks which include: unexpected geological seismic activity; interruptions to power supplies; industrial action or disputes; environmental controls and technical failures, fires, explosions and other accidents. These risks and hazards could result in damage to, or destruction of, properties or production facilities, may cause production to be reduced or cease at those properties or production facilities, may result in personal injury, environmental damage, business interruption and possible legal liability and may result in actual production differing from estimates of production, including those contained in this document (whether expressly or by implication).

The Company will utilize best practice in managing, project, safety, environmental, health and operational risks through the management of systems and processes and effective leadership to minimize and / or mitigate the above risks.

Commodity price volatility - The revenue the Company will derive through the sale of commodities it produces, exposes the potential income of the Company to the commodity price risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for oil and gas, technological advancements, forward selling activities and other macro-economic factors.

Exploration and development risks - The exploration for, and development of, producing wells involves a high degree of risk. Resource exploration and development is a speculative business, characterised by a number of significant risks, including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, although present, are insufficient in quantity and quality to return a profit from production. The marketability of minerals acquired or discovered by the Company may be affected by numerous factors that are beyond the control of the Company and that cannot be accurately predicted, and this may result in the Company not receiving an adequate return on investment capital.

However the Company mitigates this risk through a disciplined, strategic approach to target selection by the Company's Chief Scientist and Executive Chairman

Service providers and contractors - The Company is unable to predict the risk of insolvency or other managerial failure by any of the contractors or other service providers who are currently or may be in the future used by the Company in relation to the Project.

Any of the foregoing may have a material adverse effect on the results of operations or the financial condition of the Company. In addition, the termination of these arrangements, if not replaced on similar terms, could have a material adverse effect on the results of operations or the financial condition of the Company and/or the Project.

Changes in Government Policies and Legislation - Any material adverse changes in government policies or legislation in any other country where the Company may acquire economic interests may affect the viability and profitability of the Company. The Company currently operates in the United States which has low sovereign risk.

12. STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the year ended 31 December 2013 were as follows:

A decrease in share capital from $89,727,426 to $89,026,165	$'000
Opening Balance, 1 January 2012	89,727
On-market buy-back of 2,000,000 fully paid ordinary shares at an average price of $0.35	(701)
Closing Balance, 31 December2013	89,026

There have been no ordinary shares issued between the balance date and the date of this report.

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

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 5 February 2014, Antares advised the market that it had withdrawn from the sale process for the Company's Permian assets as it intended to develop these assets itself.

Other than the above matter, no other matter or circumstance has arisen since 31 December 2013 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years.

14. LIKELY DEVELOPMENTS AND RESULTS

The Company will continue to pursue oil and gas opportunities located in onshore Texas, United States of America.

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. GENDER DIVERSITY

At the date of this report, women occupy 50% of all executive positions, 40% of all board positions and 40% of all positions in the Company.

17. 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.

18. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The independence declaration received from the auditor of Antares Energy Limited is set out on page 11 and forms part of this directors' report for the year ended 31 December 2013.

Non-audit services
Local and international tax services to the value of $18,462 were the only non-audit services provided by the entity's auditor, Ernst & Young during the year. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act. The nature and scope of the non-audit service provided means that auditor independence was not compromised.

Signed in accordance with a resolution of directors.

J.A. CRUICKSHANK
Chairman
Subiaco, Western Australia
31 March 2014

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
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 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
Perth
31 March 2014

CORPORATE GOVERNANCE STATEMENT

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

The Board of Directors

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

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

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

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

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

Role of the Board

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

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

Appointments to Other Boards

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

Independent Professional Advice

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

Continuous Review of Corporate Governance

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

ASX Principles of Good Corporate Governance

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

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

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

Corporate Governance Statement continued

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions	A	Matters reserved for the Board are included on the Company website in the Corporate Governance Section.
1.2	Companies should disclose the process for evaluating the performance of senior executives	A	Acting in its ordinary capacity the Board from time to time carries out the process of considering and determining performance issues.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	A (in part)	Matters reserved for the Board can be viewed on the Company website.
Principle 2:	**Structure the board to add value**		
2.1	A majority of the board should be independent directors	N/A	Given the Company's background, the nature and size of its business and the current stage of its development, the board comprises five directors, only one of whom is non-executive. The board believes that this is both appropriate and acceptable at this stage of the Company's development.
2.2	The chair should be an independent director	N/A	The Company has restructured the Board and has an Executive Chairman
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	N/A	The Company believes it appropriate to utilise this structure at this point in time.
2.4	The board should establish a nomination committee	A	
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	N/A	Given the size and nature of the Company a formal process for performance evaluation has not been developed.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	A (in part)	The skills and experience of the Directors are set out in the Company's Annual Report and on the website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	A	The Board of the Company actively promotes ethical and responsible decision-making. The standard of ethical behaviour required by directors and officers, is set out in a Directors and Officers Code of Conduct. Complimenting this is a Code of Conduct for all employees and directors. Both Codes form part of the Company's Corporate Governance documentation which is published on the Company's website.
3.2	Companies should establish a policy concerning diversity and disclose policy or a summary of that policy.	A	The Company has formulated a diversity policy, which can be viewed on its website.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board.	A	Refer Paragraph 16
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, in senior executive positions and on the board.	A	Refer Paragraph 16
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	A	

Corporate Governance Statement continued

Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee	**A**	
4.2	The audit committee should be structured so that it:		
	• consists only of non-executive directors	**N/A**	There is only one non-executive director
	• consists of a majority of independent directors	**N/A**	As above
	• is chaired by an independent chair, who is not chair of the board	**A**	
	• has at least three members	**N/A**	The audit committee only has 2 members due to the size of the Board of directors.
4.3	The audit committee should have a formal charter	**A**	
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	**A**	
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**A**	Directors must obtain the approval of the Chairman of the Board and notify the Company Secretary before they buy or sell shares in the Company, and it is subject to Board veto. Directors must provide the information required by the Company to ensure Compliance with Listing Rule 3.19A.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receives monthly reports on the status of the Company's activities and any new proposed activities. Disclosure is reviewed as a routine agenda item at each Board Meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**A**	In line with adherence to continuous disclosure requirements of the ASX all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the Company Website and the distributions of specific releases covering major transactions and events.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	The Company has formulated a Communication Policy which is included in its Corporate Governance Statement on the Company Website.
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board has a separate Risk Management policy. The Board oversees the risk management of the Company through the Audit and Compliance Committee. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • compliance with government laws and regulations • safety and the environment • continuous disclosure obligations
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The	**A**	

Corporate Governance Statement continued

	board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks		
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	Assurances received from CEO and CFO (or equivalent) each year.
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**A**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee	**A**	It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are: • retention and motivation of key executives; • attraction of quality management to the Company; • performance incentives which allow executives to share the rewards of the success of the Company. Refer to the Annual Report and the Corporate Governance section of the Company's website.
8.2	The remuneration committee should be structured so that it:		
	• consists of a majority of independent directors	**N/A**	
	• is chaired by an independent chair	**A**	
	• has at least three members	**N/A**	
8.38.4	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	
	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	

A = Adopted
N/A = Not adopted

Statement of Comprehensive Income
Antares Energy Limited and its Controlled Entities
For the Year Ended 31 December 2013

	Notes	Consolidated 2013 $'000s	2012 $'000s
Continuing operations			
Revenue	3	1,048	1,780
Cost of sales	4(a)	(979)	(571)
Gross profit		69	1,209
Other income	3	10,593	-
General & other expenses	4(b)	(5,147)	(3,595)
Finance costs	4(c)	(2,356)	(1,526)
Profit / (Loss) before income tax		3,159	(3,912)
Income tax benefit	5	491	-
Profit / (Loss)Loss from continuing operations		3,650	(3,912)
Discontinued operation	10	19,293	(4,017)
Net profit/(loss) for the period		**22,943**	**(7,929)**
Other comprehensive loss			
Amounts that may be subsequently recycled to profit or loss			
Foreign currency translation		16,766	(2,102)
Other comprehensive profit / (loss) for the period net of tax		16,766	(2,102)
Total comprehensive profit / (loss) for the period		**39,709**	**(10,031)**
Earnings per share (cents per share)			
Earnings from continuing operations:			
Basic loss earnings / (loss) per share for the period	6	**0.1**	(1.5)
Diluted earnings / (loss) loss per share for the period	6	**0.1**	(1.5)
Earnings from all operations:			
Basic earnings / (loss) per share for the period	6	8.9	(3.1)
Diluted earnings / (loss) per share for the period	6	8.9	(3.1)

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

Statement of Financial Position
Antares Energy Limited and its Controlled Entities
As at 31 December 2013

	Notes	Consolidated 31 December 2013 $'000	31 December 2012 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	4,681	3,349
Trade and other receivables	8	4,111	6,565
Prepayments	9	5,173	2,441
Inventory		-	127
Current tax assets		856	3,452
Disposal group classified as held for sale	10(a)	192,055	-
Total current assets		**206,876**	**15,934**
NON-CURRENT ASSETS			
Property, plant and equipment	11	159	236
Oil and gas properties	12	-	106,909
Deferred exploration and evaluation expenditure	13	-	24,083
Total non-current assets		**159**	**131,228**
TOTAL ASSETS		**207,035**	**147,162**
CURRENT LIABILITIES			
Trade and other payables	14	7,665	3,354
Interest-bearing loans and borrowings	15	36,386	60,710
Provisions	16	803	529
Liabilities directly associated with disposal group classified as held for sale	10(b)	4,925	-
Total current liabilities		**49,779**	**64,593**
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	15	28,589	-
Provisions	16	72	4,439
Deferred tax liability	5	10,235	-
Total non-current liabilities		**38,896**	**4,439**
TOTAL LIABILITIES		**88,675**	**69,032**
NET ASSETS		**118,360**	**78,130**
EQUITY			
Contributed equity	17	89,026	89,727
Reserves		9,545	(8,443)
(Accumulated Losses)/Retained profits		19,789	(3,154)
TOTAL EQUITY		**118,360**	**78,130**

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

Statement of Changes in Equity

Antares Energy Limited and its Controlled Entities

For the Year Ended 31 December 2013

CONSOLIDATED	Ordinary Share Capital $'000	Retained Profits / (Accumulated Losses) $'000	Foreign Currency Reserve $'000	Convertible Note Premium Reserve $'000	Share Option Reserve $'000	Total $'000
Balance at 1 January 2012	90,892	4,775	(13,903)	1,755	5,168	88,687
Loss for the period	-	(7,929)	-	-	-	(7,929)
Other comprehensive loss	-	-	(2,102)	-	-	(2,102)
Total comprehensive loss for the period	-	(7,929)	(2,102)	-	-	(10,031)
Transactions with owners in their capacity as owners:						
Shares bought back	(1,165)	-	-	-	-	(1,165)
Share based payments	-	-	-	-	639	639
Balance at 31 December 2012	**89,727**	**(3,154)**	**(16,005)**	**1,755**	**5,807**	**78,130**
Balance at 1 January 2013	**89,727**	**(3,154)**	**(16,005)**	**1,755**	**5,807**	**78,130**
Profit for the period	-	22,943	-	-	-	22,943
Other comprehensive profit	-	-	16,766	-	-	16,766
Total comprehensive loss for the period	-	22,943	16,766	-	-	39,709
Transactions with owners in their capacity as owners:						
Issue of Convertible Notes	-	-	-	1,637	-	1,637
Tax effect on issue of convertible notes	-	-	-	(491)	-	(491)
Shares bought back	(701)	-	-	-	-	(701)
Share based payments	-	-	-	-	76	76
Balance at 31 December 2013	**89,026**	**19,789**	**761**	**2,901**	**5,883**	**118,360**

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

Statement of Cash Flows
Antares Energy Limited and its Controlled Entities
For the Year Ended 31 December 2013

	Note	Consolidated 2013 $'000	2012 $'000
Cash flows from operating activities			
Receipts from customers		28,779	23,314
Payments to suppliers and employees		(12,372)	(9,479)
Interest received		42	4
Payments of withholding and franchise taxes		(279)	(895)
Income taxes refunded		2,722	-
Interest paid		(2,351)	(1,500)
Net cash inflows/(outflows) from operating activities	7	**16,541**	**11,444**
Cash flows from investing activities			
Proceeds from sale of oil and gas properties		9,978	-
Payments for property, plant and equipment		-	(6)
Exploration, evaluation and development expenditure		(26,244)	(48,400)
Net cash outflows from investing activities		**(16,266)**	**(48,406)**
Cash flows from financing activities			
Payments for share buy-back		(701)	(1,409)
Proceeds from borrowings		15,964	47,140
Repayment of borrowings		(17,554)	(11,080)
Net cash inflows/(outflows) from financing activities		**(2,291)**	**34,651**
Net decrease in cash and cash equivalents held		**(2,016)**	**(2,311)**
Cash and cash equivalents at the beginning of the period		3,349	5,648
Effects of exchange rate changes on cash		3,348	12
Cash and cash equivalents at the end of the period	7	**4,681**	**3,349**

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

NOTE 1 CORPORATE INFORMATION AND BASIS OF PREPARATION

The financial report of Antares Energy Limited and its subsidiaries ("the Consolidated Entity") for the year ended 31 December 2013 was authorised for issue in accordance with a resolution of the Directors on 31 March 2014.

Antares Energy Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Securities Exchange and is a for profit entity. The address of the registered office and principal place of business is Ground Floor, 63 Hay Street, Subiaco, Western Australia, 6008.

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

(a) Basis of preparation

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

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

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

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 31 December 2013, the Group generated a consolidated profit of $22.9 million and generated operating cash inflows of $16.5 million. As at 31 December 2013 the Group has cash and cash equivalents of $4.7 million and net current liabilities (excluding disposal groups classified as held for sale) of $30.0 million. Current liabilities include $36.3 million of interest bearing borrowings from Macquarie Bank Limited. The interest bearing borrowings are required to be repaid prior to 31 December 2014.

It is the expectation of the Directors that the Macquarie Bank facility will be refinanced prior to maturity.

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

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 Group not be able to achieve the matters set out above and thus be able to continue as a going concern.

Statement of compliance

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

(b) New and amended accounting standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

All new and amended Standards and Interpretations effective from 1 January 2013 have been adopted.

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Group. The Group has not elected to early adopt any new standards or amendments.

NOTE 1 BASIS OF PREPARATION (CONT.)

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

The following standards and interpretations have been applied for the first time:

Reference	Title
AASB 10	**Consolidated Financial Statements** AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 *Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and UIG-112 *Consolidation - Special Purpose Entities.* The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. **Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.** There was no impact to the Group
AASB 11	**Joint Arrangements** AASB 11 replaces AASB 131 *Interests in Joint Ventures* and UIG-113 *Jointly- controlled Entities - Non-monetary Contributions by Ventures.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method. **Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128.** There was no impact to the Group
AASB 12	**Disclosure of Interests in Other Entities** AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests. The impact for the Group was disclosure only.
AASB 13	**Fair Value Measurement** AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. **Consequential amendments were also made to other standards via AASB 2011-8.** The impact for the Group was disclosure only.
AASB 119 (revised 2011)	**Employee Benefits** The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date. **Consequential amendments were also made to other standards via AASB 2011-10.** There was no significant impact for the Group
AASB 2012-2	**Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities** AASB 2012-2 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met. There was no impact to the Group

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 31 December 2013.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 1053	Application of Tiers of Australian Accounting Standards	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements: a. Tier 1: Australian Accounting Standards b. Tier 2: Australian Accounting Standards - Reduced Disclosure Requirements Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: a. For-profit entities in the private sector that have public accountability (as defined in this standard) b. The Australian Government and State, Territory and Local governments The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: a. For-profit private sector entities that do not have public accountability b. All not-for-profit private sector entities c. Public sector entities other than the Australian Government and State, Territory and Local governments. **Consequential amendments to other standards to implement the regime were introduced by AASB 2010-2, 2011-2, 2011-6, 2011-11, 2012-1, 2012-7 and 2012-11.**	1 July 2013	1 January 2014
AASB 2011-4	Amendments to Australian Accounting Standards to *Remove Individual Key Management Personnel Disclosure Requirements* [AASB 124]	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	1 January 2014
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 January 2014
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 January 2014
AASB 9	*Financial Instruments*	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7	l January 2017	1 January 2017

Reference	Title	Summary	Application date of standard*	Application date for Group*
		and 2010-10. The AASB issued a revised version of AASB 9 (AASB 2013-9) during December 2013. The revised standard incorporates three primary changes: 1. New hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures; 2. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of AASB 9 at the same time; and 3. The mandatory effective date moved to 1 January 2017.		
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 January 2014
AASB 2013-4	Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	AASB 2013-4 amends AASB 139 to permit the continuation of hedge accounting in specified circumstances where a derivative, which has been designated as a hedging instrument, is novated from one counterparty to a central counterparty as a consequence of laws or regulations.	1 January 2014	1 January 2014
AASB 2013-5	Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	These amendments define an investment entity and require that, with limited exceptions, an investment entity does not consolidate its subsidiaries or apply AASB 3 *Business Combinations* when it obtains control of another entity. These amendments require an investment entity to measure unconsolidated subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. These amendments also introduce new disclosure requirements for investment entities to AASB 12 and AASB 127.	1 January 2014	1 January 2014
AASB 2013-7	Amendments to AASB 1038 arising from AASB 10 in relation to Consolidation and Interests of Policyholders [AASB 1038]	AASB 2013-7 removes the specific requirements in relation to consolidation from AASB 1038, which leaves AASB 10 as the sole source for consolidation requirements applicable to life insurer entities.	1 January 2014	1 January 2014
Annual Improvements 2010–2012 Cycle *****	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset t the entity's assets. ► IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 January 2015
Annual Improvements 2011–2013 Cycle *****	Annual Improvements to IFRSs 2011–2013 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32.	1 July 2014	1 January 2015

Reference	Title	Summary	Application date of standard*	Application date for Group*
		► IAS 40 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of IFRS 3 that includes an investment property. That judgment is based on guidance in IFRS 3.		
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework* (issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 January 2014
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 Hedge Accounting into AASB 9 Financial Instruments.	^^^	^^^

* 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.

(d) Principles of consolidation

The consolidated financial statements comprise the financial statements of Antares Energy Limited and its subsidiaries during the year ended 31 December 2013 ("the Consolidated Entity").

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

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

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

(e) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

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

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

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

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

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

Currently there are no buildings owned by the Consolidated Entity.
Work in progress assets are carried in the accounts at cost. They are not depreciated until they are installed at the intended location and ready for use in the manner at which they were intended to be used.

Impairment

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

NOTE 1 BASIS OF PREPARATION (CONT.)

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

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

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

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

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

(f) Exploration and evaluation

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

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

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

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

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

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

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

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

(g) Impairment of non-financial assets

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

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

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

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

(h) Provision for restoration

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

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the

NOTE 1 BASIS OF PREPARATION (CONT.)

liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 1(e)).

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

(i) Trade and other receivables

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

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

(j) Cash and cash equivalents

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

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

(k) Trade and other payables

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

(l) Provisions

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

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

(m) Employee benefits

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

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

(n) Leases

Consolidated Entity as a lessee

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

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

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

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

(o) Revenue recognition

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

NOTE 1 BASIS OF PREPARATION (CONT.)

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 dependent 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.

(p) Income tax

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

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

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

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

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

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

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

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

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

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

Tax consolidation legislation

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

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

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

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

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

NOTE 1 BASIS OF PREPARATION (CONT.)

(q) Other taxes

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

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

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

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

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

(r) Interest bearing loans & borrowings

Convertible notes

The component of the convertible note that exhibits characteristics of debt is recognised as a liability in the Statement of Financial Position, net of issue costs. The residual amount is recognised as equity in the

Statement of Financial Position. The debt component of the convertible note is initially measured at fair value and subsequently 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.

US$200 million term debt facility

The term debt facility is initially recognised at fair value less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs through profit or loss.

(s) Borrowing costs

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

(t) Interest in joint operations

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

(u) Contributed equity

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

(v) Earnings per share ("EPS")

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

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

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(w) Inventories

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

NOTE 1 BASIS OF PREPARATION (CONT.)

(x) Foreign currency translation

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

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

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

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

As at the reporting date the assets and liabilities of this subsidiary were translated into the presentation currency of Antares Energy Limited at the rate of exchange ruling at the balance date and their profit or loss is translated at the average exchange for the period.

(x) Foreign currency translation (Cont.)

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

(y) Share-based payment transactions

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

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

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

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

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

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) for non-market based hurdles the

Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

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

(z) Critical accounting estimates, assumptions and judgements

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

(i) Critical Accounting Estimates and Assumptions

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

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

NOTE 1 BASIS OF PREPARATION (CONT.)

Impairment of assets

The Consolidated Entity's accounting policy for impairment is set out at Note 1(g). In determining the recoverable amount of assets, in the absence of 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.

Impairment losses of approximately $20.5 million were written back in 2013 pursuant to the sale and purchase agreement for disposal of the Permian assets.

Restoration obligations

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

NOTE 2 SEGMENT REPORTING

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

The Consolidated Entity derives its revenue primarily from the sale of oil and gas produced in the USA. During the years ended 31 December 2013 and 31 December 2012 external sales of oil and gas were made to customers solely located in the USA.

	Consolidated	
	2013 **$'000**	**2012** **$'000**
Analysis of external sales – Continued operations:		
Oil	802	289
Gas	204	1,373
	1,006	1,662
Geographical split of non-current assets:		
USA	129	131,175
Australia	30	53
	159	131,228

NOTE 3 REVENUE & INCOME

	Consolidated	
	2013 **$'000**	**2012** **$'000**
Revenue		
Sale of product	1,006	1,775
Interest revenue	42	5
	1,048	1,780
Income		
Gain on sale of assets	10,593	-
	10,593	-

NOTE 4 EXPENSES AND LOSSES/(GAINS)

Expenses

	Consolidated	
	2013 **$'000**	**2012** **$'000**
(a) Cost of sales:		
Amortisation expenses	397	137
Other production costs	582	434
Total cost of goods sold	979	571
(b) Other expenses:		
Operating lease payments	-	89
General and administrative expenses	79	368
Foreign exchange (gain) / loss	(28)	53
Impairment of oil & gas properties (note 12)	2,890	421
Exploration expenditure written off (note 13)	161	14
	3,102	945

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

	Consolidated	
	2013 $'000	2013 $'000
Wages and salaries	1,969	2,011
Share based payments	76	639
Total employee benefits	2,045	2,650
Total other expenses	5,147	3,595

(c) Finance costs:		
Interest paid/payable	2,351	1,521
Unwinding of present value discount	5	5
	2,356	1,526

NOTE 5 INCOME TAX

	Consolidated	
	2013 $'000	2012 $'000
The major components of income tax expense are:		
Income Statement		
Current Income Tax		
Current income tax (benefit)/charge	(460)	-
Deferred Income Tax		
Relating to origination and reversal of timing differences	9,744	(1,751)
	9,284	(1,751)
Income tax expense / (benefit) is attributable to:		
Loss from continuing operations	(491)	-
Profit from discontinued operations	9,775	(1,751)
	9,284	(1,751)

(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	32,227	(9,680)
At Group's statutory income tax rate of 30%	9,668	(2,904)
Adjustments in respect of current year income tax:		
- Share based payments	23	192
- Non deductible expense / assessable income	(490)	
- Impact of foreign jurisdiction tax rate	1,607	250
- Other	388	-
- Deferred tax asset not brought to account	(121)	711
- Prior year adjustments	(1,015)	-
Income tax (benefit) / expense	9,284	(1,751)

NOTE 5 INCOME TAX (CONT.)

Deferred tax balances **CONSOLIDATED**	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
12 months to 31 December 2013				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Provisions	1,260	634	-	1,894
Section 40 – 880 costs	226	(189)	-	37
Financial assets	-	124	-	124
Oil and gas assets	3,276	(3,276)	-	-
Losses available for offset against future taxable income (Australian)	10,748	1,063	-	11,811
Deferred tax liabilities				
Convertible notes	-	-	(491)	(491)
Oil and gas assets	-	(13,124)	-	(13,124)
Property, plant and equipment	(45)	7	-	(38)
Financial liabilities	-	(518)	-	(518)
Less Unrecognised Net Deferred Tax Assets	(15,465)	5,535	-	(9,930)
	-	(9,744)	(491)	(10,235)
12 months to 31 December 2012				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Provisions	975	285	-	1,260
Section 40 – 880 costs	367	(141)	-	226
Oil and gas assets	-	3,276	-	3,276
Losses available for offset against future taxable income (Australian)	9,688	1,060	-	10,748
Deferred tax liabilities				
Oil and gas assets	(2,573)	2,573	-	-
Property, plant and equipment	(78)	33	-	(45)
Financial liabilities	-	-		-
Less Unrecognised Net Deferred Tax Assets	(10,130)	(5,335)	-	(15,465)
	(1,751)	1,751	-	-

Unrecognised deferred tax balances	**Consolidated** **31 December 2013 $'000**	**31 December 2012 $'000**
The following deferred tax assets have not been brought to account as follows:		
Tax losses - revenue (Australian)	9,930	10,748
Temporary difference – oil and gas assets	-	3,276
Temporary differences – capital raising costs	-	226
Temporary differences – provisions	-	1,215
	9,930	15,465

The deferred tax assets will only be obtained if:
i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
ii) The conditions for deductibility imposed by tax legislation continue to be complied with; and
iii) No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

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

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

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

Franking credits
Antares Energy Limited does not have any franking credits at 31 December 2013.

NOTE 6 EARNINGS PER SHARE

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

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

	Consolidated	
The following reflects the income and share data used in the basic and diluted earnings per share computations:	31 December 2013 $'000	31 December 2013 $'000
Net loss attributable to ordinary equity holders of the parent (used in calculating basic and diluted loss per share)	22,943	(7,929)
	2013 '000	2012 '000
Weighted average number of ordinary shares outstanding during the year used in calculating basic and dilutive EPS	256,978	258,589

In order for outstanding performance rights and convertible notes to be considered dilutive, they are required to be dilutive to the continuing operations of the Consolidated Entity. There are 45,000,000 contingently issuable and anti-dilutive potential shares outstanding at 31 December 2013 that have not been included in the calculation of diluted earnings per share.

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2013 $'000	31 December 2012 $'000
Cash at bank and on hand	4,681	3,349
	4,681	3,349

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.

Reconciliation of net loss after tax to net operating cashflows

Net profit / (loss)	22,943	(7,929)
Non-cash Items and other adjustments:		
Depreciation and amortisation	5,227	7,441
Exploration expenditure written off	105	14
Impairment of oil and gas properties	(27,585)	16,008
Share based payments – employee benefits	76	639
Unwinding of present value discount	78	51
Foreign exchange movement	(1,552)	201
Change in operating assets and liabilities:		
(Increase) in receivables and prepayments	4,731	(3,197)
(Decrease) in creditors and payables	(185)	(51)
Increase in provisions	227	18
(Decrease) in tax balances	12,476	(1,751)
Net cash inflows/(outflows) from operating activities	16,541	11,444

NOTE 8 TRADE AND OTHER RECEIVABLES

Current

Trade receivables (i)	3,434	5,983
Other receivables (ii)	7	4
Loan to related party	670	578
	4,111	6,565

(i) Trade receivables are non-interest bearing and are generally 30-90 day terms. Trade receivables do not include any impaired or past due amounts. It is expected that all amounts will be received when due.
(ii) Other receivables include BAS refunds.

NOTE 9 PREPAYMENTS (CURRENT)

Prepayments	5,173	2,441
	5,173	2,441

NOTE 10 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION

	Consolidated	
	31 December 2013 $'000	**31 December 2012 $'000**
(a) Assets classified as held for sale		
Disposal group held for sale (discontinued operation – see (c) below)		
Prepayments	-	-
Oil and gas properties	160,375	-
Deferred exploration and evaluation expenditure	31,680	-
Total assets of disposal group held for sale	192,055	-
(b) Liabilities directly associated with assets classified as held for sale		
Disposal group held for sale (discontinued operation – see (c) below)		
Provisions	4,925	-
	4,925	-

(c) Discontinued operation

(i) Description

During June 2013 the Group announced the execution of a Letter of Intent for the sale of all of the Group's Permian Assets in the amount of USD $300,000,000. On 26 August 2013 the Group announced the execution of a Purchase and Sale Agreement for same. The closing of the transaction is expected on 28 February 2014 or earlier by mutual agreement and is subject to commercial closing conditions. The assets and liabilities associated with the Permian Assets were classified as held for sale as at 31 December 2013 and the results are reported as a discontinued operation in these financial statements.

The Company was of the belief that at 31 December 2013 the asset sale was highly probable and this is reflected in its position to hold a general meeting of the Company on 22 January 2014 to approve the disposal of its main business undertaking, being the Permian Assets.
Financial information relating to the discontinued operation for the period are set out following:

(ii) Financial performance		
Revenue	23,638	24,756
Cost of sales	(15,004)	(14,891)
Gross profit	8,634	9,865
Reversal of impairment/(impairment) of oil and gas properties and capitalised exploration	20,507	(15,587)
Finance costs	(73)	(46)
Profit before income tax of discontinued operation	29,068	(5,768)
Income tax (expense) / benefit	(9,775)	1,751
Profit after tax from discontinued operation	19,293	(4,017)
Basic & Diluted EPS from discontinued operations (cents per share)	7.5	(1.6)

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

Property, plant & equipment - cost	852	1,065
Accumulated depreciation	(693)	(829)
Total Property, Plant and Equipment	159	236

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

Office equipment, vehicles and furniture		
Balance at start of period	236	348
Additions	6	6
Exchange differences from translation	16	(5)
Depreciation	(99)	(113)
Balance at end of period	159	236

NOTE 12 OIL AND GAS PROPERTIES

Oil and gas properties		
- at cost	4,678	118,963
- accumulated amortisation & impairment	(4,678)	(12,054)
	-	106,909

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

Balance at start of period	106,909	83,645
Additions	2,507	2,205
Impairment*	18,701	(16,008)
Transfer from exploration and evaluation	20,501	44,698
Transfer to disposal group held for sale	(160,375)	-
Amortisation	(5,401)	(7,441)
Foreign exchange translation	17,158	(190)
Balance at end of period	-	106,909

*In 2013, the Permian Assets held for sale had their impairment costs written back to reflect the relationship between their carrying value ($160 million) and their sale value ($300 million),

In 2012, the impairment loss represents the write-down of certain oil and gas properties in the USA to their recoverable amount. This has been recognised through profit or loss in the line item “Other expenses”. The recoverable amount was based on value in use and was determined at the cash-generating unit level. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 10% on a pre-tax basis.

Oil and gas properties assets are held security under Macquarie Bank Limited debt facility. Refer to note 15 for details of facility.

NOTE 13 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2013 $'000	31 December 2012 $'000
Exploration and evaluation costs carried forward in respect of areas of interest:		
Exploration and/or evaluation phase	-	24,083

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:

Balance at start of period	24,083	26,576
Additions	24,338	42,801
Transfer to oil & gas properties	(20,501)	(44,698)
Expenditure written off	(105)	(14)
Transfer to disposal group held for sale	(31,680)	-
Foreign exchange translation	3,865	(582)
Balance at end of period	-	24,083

NOTE 14 TRADE AND OTHER PAYABLES (CURRENT)

Trade creditors and accruals	7,665	3,354

Trade creditors are non-interest bearing and generally payable within 30 – 60 days.
Accruals include amounts payable as a result of cash calls made by operators of non-operated projects for upcoming capital expenditure such as wells.

NOTE 15 INTEREST-BEARING LOANS AND BORROWINGS

	Consolidated 31 December 2013 $'000	Consolidated 31 December 2012 $'000
Current		
US$200 million term debt facility	36,386	46,674
Convertible notes	-	14,036
	36,386	60,710
Non- Current		
Convertible notes	28,589	-
	28,589	-

Convertible Notes

The convertible notes are a financial instrument comprising a debt component and an equity component. Interest is recognised using the effective interest method over the period to the next reset date of 31 October 2015* at which time noteholders can elect to redeem their notes for $2 each.

During 2013, 7,981,999 new notes were issued for $2 each (2012: Nil).

As at 31 December 2013 there was a total of 15,000,000 notes on issue (31 December 2012: 7,018,000) with a face value of $30,000,000 (31 December 2012: $14,036,002).

*Following a meeting of noteholders on 5 July 2013, the 7,018,001 notes on issue were reset to 31 October 2015 and the new terms are:

Interest rate:	10% per annum (payable quarterly in arrears)
Conversion rate:	1:3 (each note is convertible into three fully paid ordinary shares)
Next reset date:	31 October 2015
Maturity date:	30 October 2023

In 2012, the terms of the key terms of the notes were:

Interest rate:	10% per annum (payable quarterly in arrears)
Conversion rate:	1:1 (each note is convertible into one fully paid ordinary share)
Maturity date:	31 October 2013

US$200 million term debt facility

The Group has established a US$200 million three year term debt facility at an interest rate of LIBOR plus 4.0% with Macquarie Bank Limited. The facility has been secured by fixed and floating charges over all the assets and undertakings of the Company and all its subsidiary companies.

	Consolidated 31 December 2013 $'000	Consolidated 31 December 2012 $'000
Facility used at reporting date	64,988	46,770
Facility unused at reporting date	158,526	145,926

NOTE 16 PROVISIONS

Current		
Employee leave benefits	678	451
Restoration	125	78
	803	529
Non-Current		
Restoration	72	4,439
	72	4,439

NOTE 16 PROVISIONS (CONT.)

Reconciliation of movements in restoration provision	**Consolidated 31 December 2013 $'000**	**Consolidated 31 December 2012 $'000**
Balance at start of period	4,517	2,590
Additions during period	(179)	1,933
Unwinding of present value discount	72	51
Transfer to disposal group held for sale	(4,925)	-
Foreign exchange movements	712	(57)
Balance at end of period	197	4,517

The restoration obligations are expected to be incurred over a period from 1 to 15 years.

NOTE 17 CONTRIBUTED EQUITY

Issued and paid up capital:		
Fully paid ordinary shares	89,026	89,727

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.

	12 months to 31 December 2013		**12 months to 31 December 2012**	
	No. of shares	**$'000**	**No. of shares**	**$'000**
Movement in ordinary shares on issue:				
Beginning of the period	257,000,000	89,727	260,000,000	90,892
Shares bought back on market	(2,000,000)	(701)	(3,000,000)	(1,165)
End of the period	255,000,000	89,026	257,000,000	89,727

Capital management

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

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

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

Management monitor capital by reviewing the level of cash on hand, future revenue streams from oil and gas reserves and assessing the impact of possible future commitments in respect of the convertible notes and the potential capital structure that would be required to meet those potential commitments.

	Consolidated 31 December 2013 $'000	**Consolidated 31 December 2012 $'000**
Total borrowings	63,766	60,710
Less cash and cash equivalents	(4,681)	(3,349)
Net debt (minimum balance is nil)	59,085	57,361
Total equity	118,360	78,130
Total capital	177,445	135,491

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Overview

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

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

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

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

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

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

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

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

a) Market risk

Interest rate risk

At balance date the Consolidated Entity's exposure to market risk for changes in interest rates relates primarily to the Company's short-term cash deposits and the term debt borrowing facility. The Consolidated Entity is not exposed to cash flow volatility from interest rate changes on the convertible notes as they carry a fixed rate of interest of 10% per annum.

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

The Group's policy is to select the most cost efficient mix of fixed and variable rate debt.

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

	Consolidated	
	31 December 2013 $'000	**31 December 2012 $'000**
Financial Assets – interest bearing		
Cash and cash equivalents	4,681	3,349
Financial Liabilities – interest bearing		
US$200 million term debt facility	(36,386)	(46,674)
Net exposure	**(31,705)**	**(43,325)**

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 2013 if interest rates had moved as illustrated in the table below, with all other variables held constant, the post tax result relating to financial assets of the Consolidated Entity would have been affected as follows:

	Consolidated	
	31 December 2013 $'000	**31 December 2012 $'000**
Judgements of reasonably possible movements:		
Post tax profit – higher/(lower)		
Financial assets		
+1.0% (2011: +1.0% per annum)	47	33
-1.0% (2011: -1.0% per annum)	(47)	(33)
Financial liabilities		
+1.0% (2011: +1.0% per annum)	(337)	(467)
-1.0% (2011: -1.0% per annum)	337	467

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

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

Foreign currency risk

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

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

At 31 December 2013 and 31 December 2012 the Consolidated Entity had no forward foreign exchange contracts in place.

At 31 December 2013, the Group had no foreign currency exposure, being an exposure to a currency other than a functional currency.

Commodity price risk

The Consolidated Entity is exposed to commodity price fluctuations through the sale of petroleum products denominated in US dollars – specifically the natural gas, condensate and oil prices in the USA.
The Board manages the potential risk by monitoring and stress testing the Consolidated Entity's forecast financial position to sustained periods of low and high commodity prices. During the year to 31 December 2013 and 31 December 2012 no forward contracts were entered into and there were no open positions at 31 December 2013 or 31 December 2012.

The Consolidated Entity did not hold any financial assets and liabilities at 31 December 2013 or 31 December 2012 that would be impacted by a change in commodity price.

(b) Liquidity risk

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

The Consolidated Entity manages liquidity risk by maintaining adequate banking and borrowing facilities through the monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

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

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

	Consolidated	
	31 December 2013 $'000	31 December 2012 $'000
0 – 6 months	19,013	10,007
6 – 12 months	29,796	20,455
1 – 5 years	42,257	44,336
	91,066	74,798

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

Consolidated as at 31 December 2013	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	4,681	-	-	-	4,681
Trade and other receivables	731	-	-	-	731
	5,412	-	-	-	5,412
Financial Liabilities					
Payables	7,665				7,665
Convertible notes	1,610	1,709	42,257	-	45,576
US$200 million term debt facility	9,738	28,087	-	-	37,825
	19,013	29,796	42,257	-	91,066
Net inflow/(outflow)	(3,601)	(29,796)	(42,257)	-	(85,654)

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

Consolidated as at 31 December 2012	≤ 6 months $'000	6 – 12 months $'000	1 – 5 years $'000	> 5 years $'000s	Total $'000
Financial Assets					
Cash and cash equivalents	3,349	-	-	-	3,349
Trade and other receivables	6,565	-	-	-	6,565
	9,914	-	-	-	9,914
Financial Liabilities					
Payables	3,354	-	-	-	3,354
Convertible notes	702	14,504	-	-	15,206
US$200 million term debt facility	5,951	5,951	44,336	-	56,238
	10,007	20,455	44,336	-	74,798
Net inflow/(outflow)	(93)	(20,455)	(44,336)	-	(64,884)

(c) Credit risk

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

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

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

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

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

Specific concentration of credit risk exists primarily within cash and cash equivalents and 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 operations in advance of operations being performed.

As at 31 December 2013 all trade receivables and other receivables relating to cash held in advance of operations were receivable from joint operations operators who have no history of credit default with the Consolidated Entity, and no allowance for impairment is considered necessary for potential default.

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

(d) Fair Value

All assets and liabilities for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described below as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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 value of convertible notes we determined with reference to the closing market price on 31 December 2013 (Level 1). The fair value of the financial liability was $2.10 per note which equates to a total fair value of $31,500,000 compared to the carrying value of $28,588,637 (2012: fair value $14,176,362, carrying value $14,036,002).

NOTE 19 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES

There are no outstanding commitments or contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 31 December 2013.

NOTE 20 INTEREST IN JOINT OPERATIONS

At 31 December 2013 the Consolidated Entity held the following interests in oil and gas production and exploration joint operations:

Joint Operation	Working Interest	
	31 Dec 2013	**31 Dec 2012**
Oyster Creek – Texas	67.50%	67.50%
Hawkville-Donnell 457 (Petrohawk Term Assignment) – Texas	-	4.23%
Hawkville-Dilworth (Petrohawk Term Assignment) – Texas	-	6.25%
Alamo – Texas	50.00%	48.63%
Cottonwood – Texas	50.00%	50.00%
Jewell Williams – Texas	20.00%	20.00%
Levy – Texas	97.00%	97.00%
Live Oak – Texas	50.00%	50.00%
Lloyd SWD – Texas	90.50%	90.50%
Lonestar – Texas	50.00%	50.00%
McCann – Texas	50.00%	50.00%
Mesquite – Texas	50.00%	50.00%
Nichols – Texas	48.50%	50.00%
Paloma – Texas	97.00%	97.00%
Pecan – Texas	50.00%	50.00%
Ray – Texas	97.00%	97.00%
Thomas – Texas	97.00%	94.54%
Big Star – Simmons Prospect – Texas	72.00%	72.00%

Principal activities of joint 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 2013. All joint operations are located onshore Texas, USA.

There are no outstanding commitments or contingent liabilities specific to the joint operations not provided for in the financial statements of the Consolidated Entity as at 31 December 2013.

NOTE 21 RELATED PARTY DISCLOSURES

(i) ULTIMATE PARENT
Antares Energy Limited is the ultimate parent company.

(ii) CONSOLIDATED ENTITY
At year end the Consolidated Entity consisted of the subsidiaries listed in the following table:

	Country of Incorporation	Class of Share	% Equity interest 31 December 2013	% Equity interest 31 December 2012
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

There are no restrictions on access to assets and liabilities of the subsidiaries

NOTE 22 EVENTS AFTER THE BALANCE SHEET DATE

On 5 February 2014 the Company announced that it believed that the Permian Assets were both sustainable and repeatable and concluded that the highest possible returns can be achieved for shareholders through the development of its Permian Assets rather than the sale.

NOTE 23 AUDITOR'S REMUNERATION

The auditor of Antares Energy Limited is Ernst & Young.

	Consolidated 31 December 2013 $'000	Consolidated 31 December 2012 $'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	120	118
- tax and compliance services	18	18
- other services	-	-
	138	136

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

Directors

J.A. Cruickshank	Executive Chairman, Managing Director and Chief Executive Officer
G.D. Shoemaker	Director and Chief Scientist
V.A. McAppion	Director – Finance & Administration Manager
M.G. Clohessy	Non-Executive Director
K.L. Roach	Director and General Counsel and Chief Administrative Officer
M.G. Gentry	Director and Chief Operating Officer – resigned 15 January 2013

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 2013 $	Consolidated 2012 $
Short-Term	2,034,036	2,338,410
Post Employment	24,506	22,978
Long-Term	23,444	21,391
Share-based Payments	76,362	638,705
	2,158,348	3,021,484

(ii) Shareholdings of Key Management Personnel (Consolidated)

31December 2013	Balance 1 Jan 13	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 13
Directors					
J.A. Cruickshank	10,250,000	-	-	125,000	10,375,000
M.D. Gentry	1,900,000	-	-	(1,900,000)*	0
G.D. Shoemaker	809,665	-	-	-	809,665
V.A. McAppion	198,226	-	-	-	198,226
M.G. Clohessy	2,765,000	-	-	-	2,765,000
Total	15,922,891	-	-	(1,775,000)	14,147,891

*Change due to resignation

31December 2012	Balance 1 Jan 12	Granted as Remuneration	On Exercise of Performance Rights	Net Change Other	Balance 31 Dec 12
Directors					
J.A. Cruickshank	10,200,000	-	-	50,000	10,250,000
M.D. Gentry	1,900,000	-	-	-	1,900,000
G.D. Shoemaker	809,665	-	-	-	809,665
V.A. McAppion	198,226	-	-	-	198,226
M.G. Clohessy	2,715,000	-	-	50,000	2,765,000
Total	15,822,891	-	-	100,000	15,922,891

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) Performance Rights holdings of Key Management Personnel (Consolidated)

NOTE 24 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

2013		Total Number of Unvested Rights on Issue				
	As at 1 January 2013	Vested	Lapsed	Granted	As at 31 December 2013	Vested Rights on Issue 31 Dec 2013
Directors						
J.A. Cruickshank	1,000,000	-	(1,000,000)	-	-	-
M.D. Gentry	500,000	-	(500,000)	-	-	-
G.D. Shoemaker	500,000	-	(500,000)	-	-	-
V.A. McAppion	333,334	-	(333,334)	-	-	-
M.G. Clohessy	166,666	-	(166,666)	-	-	-
Total:	2,500,000	-	(2,500,000)	-	-	-

2012		Total Number of Unvested Rights on Issue				
	As at 1 January 2012	Vested	Lapsed	Granted	As at 31 December 2012	Vested Rights on Issue 31 Dec 2012
Directors						
J.A. Cruickshank	2,000,000	-	(1,000,000)	-	1,000,000	-
M.D. Gentry	1,000,000	-	(500,000)	-	500,000	-
G.D. Shoemaker	1,000,000	-	(500,000)	-	500,000	-
V.A. McAppion	666,667	-	(333,333)	-	333,334	-
M.G. Clohessy	333,333	-	(166,667)	-	166,666	-
Total:	5,000,000	-	(2,500,000)	-	2,500,000	-

(iv) Loans to Key Management Personnel

During the year ended 31 December 2010 an interest free loan was provided to a Director (J.A. Cruickshank; $670,540), repayable on demand if the Director ceases employment with Antares or ceases to be located in Dallas, Texas. The Board considers the benefit reasonable remuneration within the meaning of Section 211 of the Corporations Act. The loan remains outstanding as at 31 December 2013 (2012: $590,000).

(v) Other transactions and balances with Key Management Personnel

During the year ended 31 December 2013 and the year ended 31 December 2012 there were no transactions with Key Management Personnel other than those described above. At 31 December 2013 and 31 December 2012 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

NOTE 25 SHARE OPTIONS & PERFORMANCE RIGHTS

Share options

The parent entity has not granted any options during 2013. At balance date there were no options outstanding.

Performance Rights

At the Company's annual general meeting in 2010, shareholders approved Performance Rights Plans. Under the plans the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights. The rights are provided at no cost to the employee and a vested right can be exercised by the holder for nil consideration. The performance rights have a service condition attached whereby performance rights are forfeited if a performance rights holder is no longer an employee.

As at 31 December 2013 there was no series of performance rights remaining.

Series 6

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

In the year to 31 December 2013, 2,500,000 of the 7,500,000 series 6 performance rights issued lapsed as they did not meet their performance hurdle of a $1.75 VWAP for the last 5 trading days of the year.

				Number of Rights		
	Date of Grant	Date of Expiry	Series	Unvested	Vested	Total
31 December 2012	26 May 2010	1 July 2015	6	2,500,000	-	2,500,000
				2,500,000	-	2,500,000

	31 December 2013	31 December 2012
Reconciliation of performance rights:		
Balance at beginning of period	2,500,000	5,000,000
- granted		-
- lapsed	(2,500,000)	(2,500,000)
- exercised		-
Balance at end of period	-	2,500,000
Exercisable at end of period (i.e. vested)	-	-

NOTE 26 PARENT ENTITY INFORMATION

The following information relates to the parent entity, Antares Energy Limited, at 31 December 2013. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	31 December 2013 $'000	31 December 2012 $'000
Current assets	3,113	127
Non-current assets	105,449	85,946
Total assets	108,562	86,073
Current liabilities	858	14,626
Non-current liabilities	28,589	-
Total liabilities	29,447	14,626
Contributed equity	89,026	89,727
Reserves	9,276	7,562
Accumulated losses	(19,187)	(25,842)
Total equity	79,115	71,447
Profit for the year	6,656	57,693
Total comprehensive profit for the year	6,656	57,693

ANTARES ENERGY LIMITED
ABN 75 009 230 835

DIRECTORS' DECLARATION

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

(1) In the opinion of the directors:

(a) the financial statements and notes of Antares Energy Limited for the financial year ended 31 December 2013 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 31 December 2013 and performance for the year ended on that date; and

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

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

(c) subject to the matters described 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 ended 31 December 2013.

On behalf of the Board.

J.A. CRUICKSHANK
Chairman

Subiaco, Western Australia
31 March 2014

Building a better working world

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

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
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 consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor’s Independence Declaration, a copy of which is included in the directors’ report.

Opinion

In our opinion:

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

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the year ended on that date; and

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

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report. The matters set forth in Note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Antares Energy Limited for the year ended 31 December 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

R J Curtin
Partner
Perth
31 March 2014

RC:DR:ANTARES:39

SHAREHOLDER INFORMATION
AS AT 21 MARCH 2014

Ordinary Shares

(a) Twenty Largest Shareholders

		Number of Shares	% of issued shares
1	J P MORGAN NOMINEES AUST LTD	41,681,474	16.35%
2	HSBC CUSTODY NOMINEES AUST LIMITED	35,981,066	14.11%
3	JAMES CRUICKSHANK	10,375,000	4.07%
4	CITICORP NOMINEES PTY LTD	9,878,145	3.87%
5	NATIONAL NOMINEES LTD	8,644,069	3.39%
6	YANDAL INVESTMENTS PTY LTD	8,130,000	3.19%
7	ESSENTIAL FAITH PTY LTD	3,500,001	1.37%
8	TANGLED-BLUE INV PTY LTD	3,236,255	1.27%
9	SHEA RODNEY ALEXANDER	2,892,000	1.13%
10	JOHJAM PTY LTD	2,769,375	1.09%
11	MARK CLOHESSY	2,765,000	1.08%
12	ACCIPITER PTY LTD	2,301,543	0.90%
13	WESTBLOCK SVCS PTY LTD	2,300,681	0.90%
14	BOND STREET CUSTODIANS LTD	2,134,406	0.84%
15	KAYSU HLDGS NO 2 PTY LTD	1,802,882	0.71%
16	KILLAWARRA PTY LTD	1,700,000	0.67%
17	MERRILL LYNCH AUST NOMINEES	1,601,548	0.63%
18	MCLAUGHLIN HOWARD	1,450,500	0.57%
19	STEPHEN JOSLAND	1,210,000	0.47%
20	BRIAR CORP PTY LTD	1,207,663	0.47%
		145,561,608	**57.08%**

(b) Distribution of Shareholdings

	Number of Shareholders	Number of Shares Held
1 - 1,000	1,007	325,842
1,001 - 5,000	1,183	3,402,646
5,001 - 10,000	729	6,045,549
10,001 - 100,000	1,228	39,305,090
100,00 - and over	214	205,920,873
Total	**4,361**	**255,000,000**

(c) Substantial Shareholders

	Number of Shares	% of Issued Shares
J P Morgan Nominees Aust Ltd	41,681,474	16.35%
HSBC Custody Nominees Aust Ltd	35,981,066	14.11%

(d) Unmarketable Parcels
There were 1,981 members holding less than a marketable parcel of shares in the Company.

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

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

(g) On-market Share Buy-back
In the period from 26 April 2013 to 11 June 2013 the Company bought back 2,000,000 shares on-market.

Convertible Notes

(a) Twenty Largest Convertible Note Holders

		Number of Convertible Notes	% of Issued Convertible Notes
1	HSBC CUSTODY NOMINEES AUST LIMITED	5,933,200	34.73%
2	HOPERIDGE ENTERPRISES PTY LTD	1,500,000	8.78%
3	UBS FINANCIAL SERVICES INC	1,100,000	6.44%
4	UBS NOMINEES PTY LTD	1,032,975	6.05%
5	ENERVIEW PTY LTD	750,000	4.39%
6	WONDER HOLDINGS PTY LTD	750,000	4.39%
7	AUSTRALIAN EXECUTOR TRUSTEES LTD	604,250	3.54%
8	ARINZA FUTURE PTY LTD	500,000	2.93%
9	NATIONAL NOMINEES LTD	401,900	2.35%
10	BOND STREET CUSTODIANS LTD	360,000	2.11%
11	CHEWKART SUPER PTY LTD	250,000	1.46%
12	OCCASIO HLDGS PTY LTD	250,000	1.46%
13	CONSTABLE MICHAEL EDWARD	228,000	1.33%
14	MADLINE ENTPS PTY LTD	215,000	1.26%
15	VCM INV PTY LTD	210,408	1.23%
16	BERGER GABRIEL	177,848	1.04%
17	AUSTRALIAN EXECUTOR TRUSTEES LTD	145,750	0.85%
18	TEO YEE TECK	116,000	0.68%
19	JOHJAM PTY LTD	100,000	0.59%
20	J P MORGAN NOMINEES AUST LTD	97,500	0.57%
		14,722,831	**86.18%**

(b) Distribution of Convertible Note Holdings

	Number of Convertible Note Holders	Number of Convertible Notes Held
1 - 1,000	6	3,623
1,001 - 5,000	72	259,375
5,001 - 10,000	36	321,943
10,001 - 100,000	58	1,974,728
100,00 - and over	18	14,525,331
Total	**190**	**17,085,000**

(c) Voting Rights

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

(d) Exchanges

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

LIST OF INTERESTS

AS AT 21 MARCH 2014

USA

Project Name	County/State	Well Name	% Interest
Oyster Creek	Brazoria/TX	Harrison 2	67.50
		Harrison 3	67.50
Southern Star	Howard/TX	Alamo 1	50.00
		Alamo 2	50.00
		Aloe Vera 1	100.00
		Aloe Vera 2	100.00
		Aloe Vera 3	100.00
		Billie Jo 33-1	20.00
		Billie Jo 33-2	20.00
		Cottonwood 1	50.00
		Cottonwood A	50.00
		Coyote 1	100.00
		Coyote 2	100.00
		CR21 1	100.00
		CR21 2	100.00
		CR21 3	100.00
		CR21 4	100.00
		Dagwood 1	50.00
		Levy 1	97.00
		Live Oak 1	50.00
		Live Oak 2	50.00
		Lonestar 1	50.00
		Lonestar 2	50.00
		Lonestar 3	50.00
		Lonestar 4	50.00
		McCann 1	50.00
		McCann 2	50.00
		McNew 1	100.00
		McNew 2	100.00
		Mesquite 1	50.00
		Nichols 1	48.50
		Nova 33-1	19.20
		Paloma 1	97.00
		Paloma 2	97.00
		Pecan 1	50.00
		Pecan 2	50.00
		Ray 1	97.00
		Ray 2	97.00
		Ray 3	97.00
		Ray 5	97.00
		Ray 6	97.00
		Smith 1	100.00
		Smith 2	100.00
		Texan 1	100.00
		Texan 2	100.00
		Texan A 1	100.00
		Texan A 2	100.00
		Thomas 1	97.00
		Thomas 2	97.00
		Windmill 1	100.00
		Windmill 2	100.00
		Yucca 1	100.00
		Yucca 2	100.00
Southern Star-		Barnes 1	100.00
Northern Ext.		Robinson 1	100.00
		Robinson 2	100.00
		SLKT 1	100.00

Project Name	County/State	Well Name	% Interest
Big Star	Dawson/TX	Cline 46-1	100.00
		Esmond 20-1	100.00
		Simmons 27-2	72.00
		Stuart 12-1	100.00
		Woodward 7-1	100.00
Northern Star	Dawson/TX	Archer 16-1	100.00
		Cozart A-1	100.00
		Cozart 11-1	100.00
		Cozart 19-1	100.00
		Debnam 22-1	100.00
		Pettaway 7-1	100.00
Hawkville	McMullen/TX	Donnell 457-1H	0.125
(ORRI Only)		Donnell C-1H	0.993
		Donnell C-2H	1.061

Exploration Leases

Project	State	County
Oyster Creek	TX	Brazoria
Southern Star	TX	Howard
Big Star	TX	Dawson
Northern Star	TX	Dawson
Hawkville	TX	McMullen

ANNUAL GENERAL MEETING

The Annual General Meeting of Antares Energy Limited will be held at 3.00pm on Wednesday, 14 May 2014 at the Parmelia Hilton Perth, 14 Mill Street, Perth, Western Australia, 6000.