



# ANTARES ENERGY LIMITED

A.C.N. 009 230 835

Ground Floor  
63 Hay Street  
West Perth WA 6008

PO Box 690  
West Perth WA 6872  
[www.antaresenergy.com](http://www.antaresenergy.com)

31 July 2014

## QUARTERLY ACTIVITY REPORT FOR THE QUARTER ENDED 30 JUNE 2014

### Quarterly & General Meeting Highlights:

#### 1. General Meeting Results

- Antares Defeats Lone Star 7 – 0 at General Meeting Requested by Lone Star
- All Resolutions Proposed by Lone Star Failed by Show of Hands - Without a Single Question Asked
- All Resolutions Proposed by Lone Star Overwhelmingly Rejected By Shareholders
- Lone Star Founder/CEO Jeff Eberwein and US Proposed Directors Did Not Bother to Attend the General Meeting Lone Star Requested

#### 2. Resolution Results

**Resolution 1 - Appointment of Jeffery Eberwein as a Director.**

**Jeffery E Eberwein – Founder/CEO of Lone Star Value Management.**

**The Resolution Failed and Mr Jeff Eberwein has been rejected by shareholders.**

**Resolution 2 - Appointment of Aaron Kennon as a Director.**

**Aaron Kennon – Co-Founder/CEO of Clear Harbor Asset Management.**

**The Resolution Failed and Mr Aaron Kennon has been rejected by shareholders.**

**Resolution 3 - Appointment of Eric Hyman as a Director.**

**Eric Hyman – Petroleum Engineer/Founder – Eric J Hyman & Associates.**

**The Resolution Failed and Mr Eric Hyman has been rejected by shareholders.**

**Resolution 4 - Appointment of William Fairhurst as a Director.**

**William Fairhurst – Vice President, Exploration, Eagle Oil and Gas.**

**The Resolution Failed and Mr William Fairhurst has been rejected by shareholders.**

**Resolution 5 - Appointment of Michael Sharwood as a Director.**

**Michael Sharwood – Retired Geologist & Solicitor.**

**The Resolution Failed and Mr Michael Sharwood has been rejected by shareholders.**

**Resolution 6 - Removal of Vicky McAppion as a Director.**

**Vicky McAppion – Director, Finance and Administration Manager.**

**The Resolution Failed and Mrs Vicky McAppion has been endorsed by shareholders.**

**Resolution 7 - Removal of Greg Shoemaker as a Director.**

**Greg Shoemaker – Director, Chief Scientist.**

**The Resolution Failed and Mr Greg Shoemaker has been endorsed by shareholders**

- 3. Net quarterly oil production of 52,173 BO**
- 4. Net quarterly gas production of 255,979 MCF**
- 5. Receipts from product sales of \$6,191,000 AUD**
- 6. Southern Star Project**
  - Significant Horizontal Wolfcamp A results directly adjacent continue**
  - Design for Wolfcamp A Horizontals underway in HBP area**
- 7. Northern Star Project**
  - Significant Lower Spraberry/Wolfcamp A/B & D results adjacent**
  - Design for Wolfcamp B/D Horizontals underway**

# OPERATIONAL UPDATE FOR THE QUARTER ENDED 30 JUNE 2014

## LETTER TO SHAREHOLDERS FROM THE CHIEF SCIENTIST

Dear Shareholders,

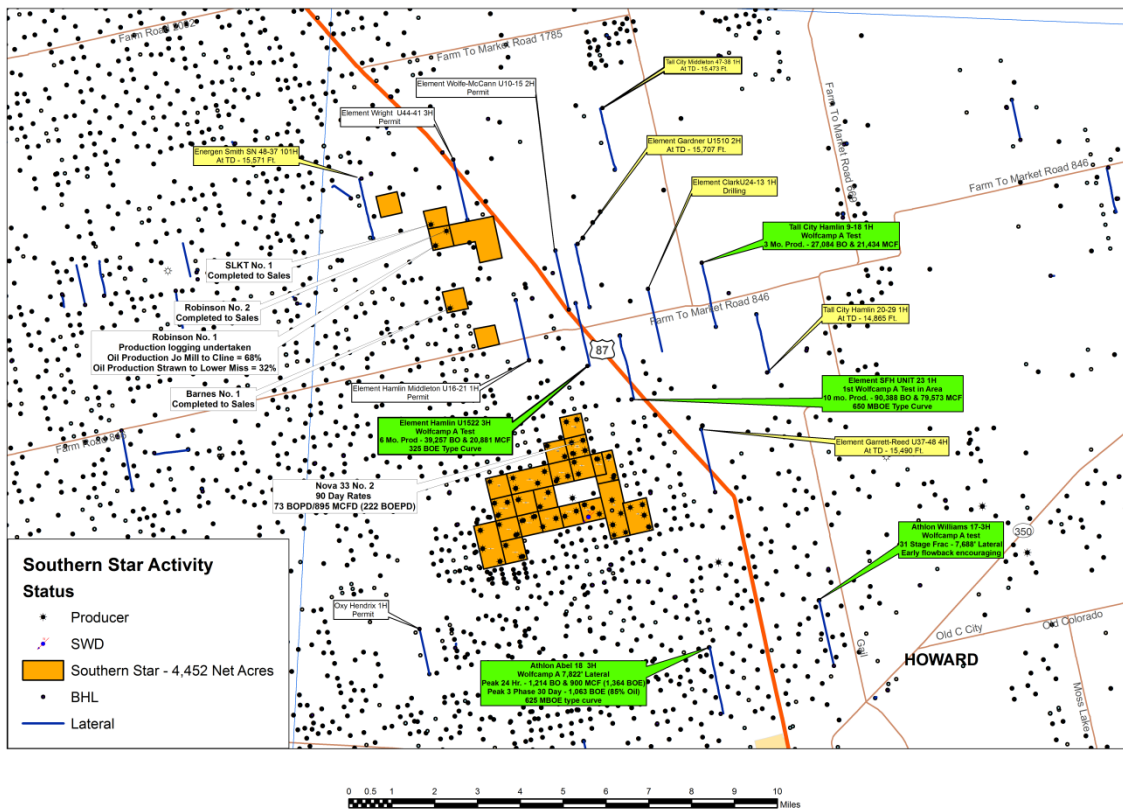
I am pleased to report the following positive developments in your company during the 2nd Quarter of 2014:

### Southern Star Development

During this quarter, work has been undertaken to value horizontal reserves potential and prepare for horizontal Wolfcamp drilling in the HBP portion of the Development. The horizontal reserves report is being finalized by LaRoche Petroleum Consultants, LTD and will be reported in the next quarterly. Planning is underway to place up to 15 Wolfcamp A horizontals in the HBP area with lengths varying from 5,500 to 8,000 feet dependent on lease geometry and existing vertical wells. Further type curve information released by Athlon in the Abel 18-1H well for correlative Wolfcamp A section in Southern Star wells strongly suggest 7,500 foot laterals deliver better than 625 MBOE with 77% oil cut.



### Southern Star Development - Northern Extension Wells Update Emerging Wolfcamp Horizontal Well Activity



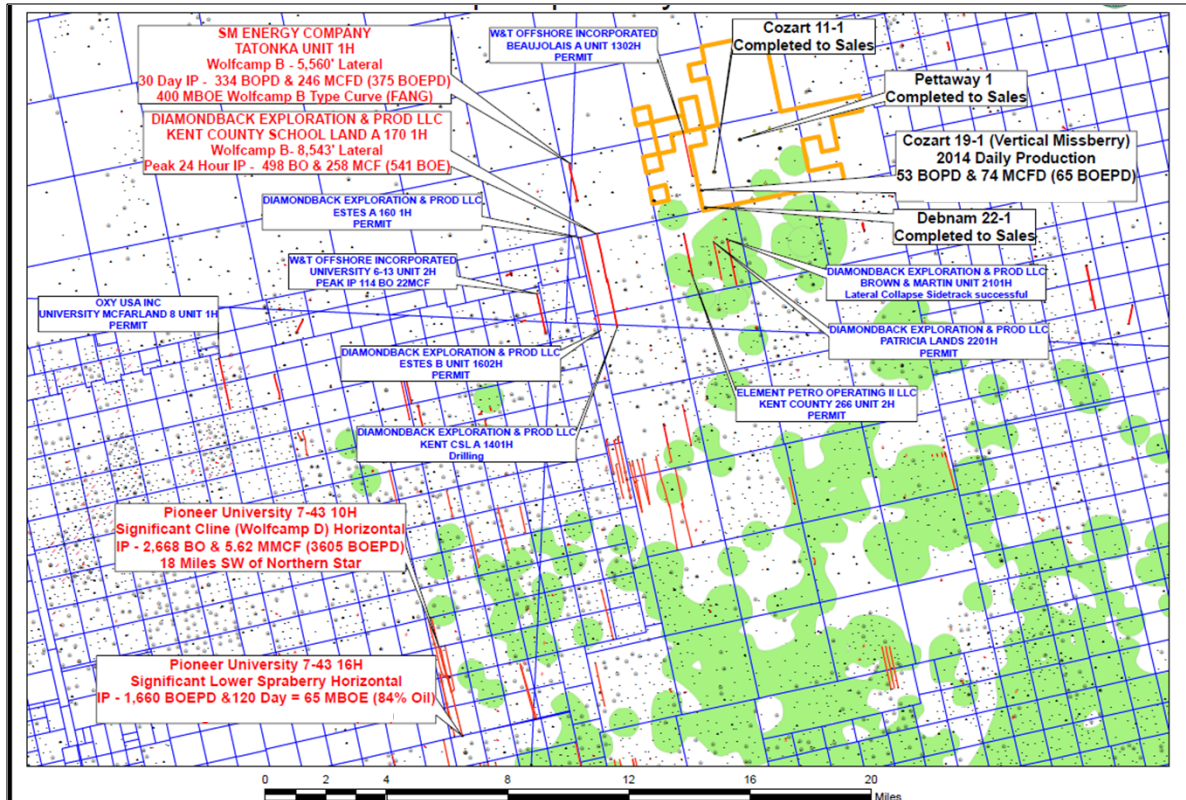
**Fig. 1 – Southern Star Horizontal Wolfcamp Activity Map**

Full Quarter Southern Star net vertical production averaged 367 BOPD and 2,429 MCFD being 768 BOEPD.

## Northern Star – Lower Spraberry & Wolfcamp Horizontals

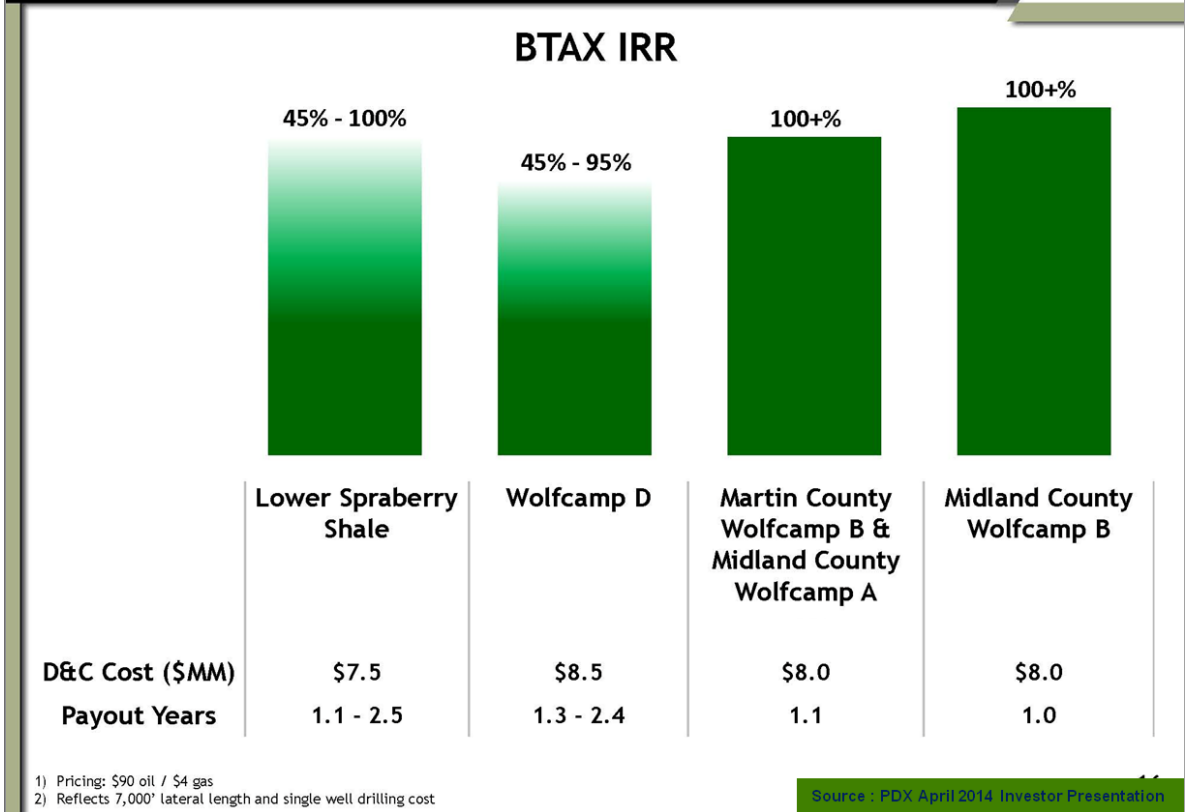
Since last quarter's report, six additional Wolfcamp B/D 7,500 foot laterals have been permitted or began drilling directly adjacent to Northern Star. Most activity is being undertaken by Diamondback with the near term results of their Wolfcamp D tests being followed industry wide. SM Energy is also slated to release the results of their long Wolfcamp D horizontal test imminently.

Horizontal reserves calculations by LaRoche for the Northern Star area will be released in the next quarterly report.



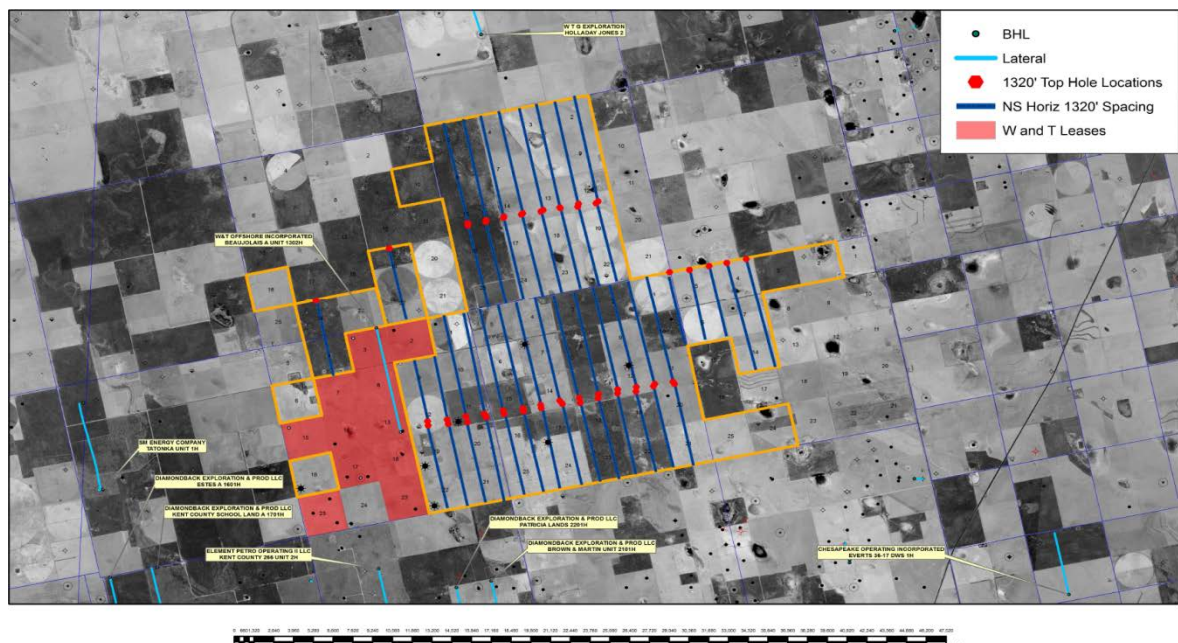
**Fig. 2 – Northern Star Horizontal Wolfcamp Activity Map**

In lieu of the initial reserves report, calculations by Pioneer in an April 2014 for the principal horizontal objectives in Northern Star provide a good template for expected costs and reserves assuming 7,000 foot lateral lengths.



**Fig. 3 – Northern Midland Basin Horizontals Economics**

Full Quarter Northern Star net vertical production averaged 69 BOPD and 84 MCFD being 83 BOEPD. Looking to future horizontal activities in Northern Star, an initial drilling program would involve 26 horizontal wells (split between Lower Spraberry, Wolfcamp A/B and D sections) of lengths between 6,000 to 7,500 feet.



**Fig. 4 – Northern Star Horizontal Spraberry & Wolfcamp Plan**

Very truly yours,

Gregory D. Shoemaker  
Director & Chief Scientist

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity

**ANTARES ENERGY LIMITED**

ABN

75 009 230 835

Quarter ended ("current quarter")

30 June 2014

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date ( 6 months) \$A'000
1.1 Receipts from product sales and related debtors	6,191	11,230
1.2 Payments for (a) exploration & evaluation	(7,192)	(8,773)
(b) development	(1,587)	(3,138)
(c) production	(752)	(1,368)
(d) administration	(553)	(845)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	14	30
1.5 Interest and other costs of finance paid	(1,785)	(3,015)
1.6 Income taxes paid	-	1,111
1.7 Other:-		
Texas Franchise Tax	(63)	(63)
Withholding Tax	-	-
<b>Net Operating Cash Flows</b>	<b>(5,727)</b>	<b>(4,831)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>-</b>	<b>-</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(5,727)</b>	<b>(4,831)</b>

+ See chapter 19 for defined terms.



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

1.13	Total operating and investing cash flows (brought forward)	(5,727)	(4,831)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	24,930	29,100
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(4,246)	(8,584)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	• Share issue transaction costs	-	-
	• Payments for share buy-back	-	-
	• Convertible Note Redemptions	-	-
	<b>Net financing cash flows</b>	<b>20,684</b>	<b>20,516</b>
	<b>Net increase (decrease) in cash held</b>	<b>14,957</b>	<b>15,685</b>
1.20	Cash at beginning of quarter/year to date	5,355	4,681
1.21	Exchange rate adjustments to item 1.20	(45)	(99)
1.22	<b>Cash at end of quarter</b>	<b>20,267</b>	<b>20,267</b>

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

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(534)
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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

**Non-cash financing and investing activities**

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

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

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+ See chapter 19 for defined terms.

## Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available US\$'000	Amount used US\$'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements:- Antares Energy has established a 200,000,000 USD three year term debt facility at an interest rate of LIBOR plus 4.0 percent with Macquarie Bank Limited. Antares intends to draw upon the facility in multiples of 10,000,000 USD.	US\$141,500	US\$58,500

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	2,000
4.2 Development	7,000
4.3 Production	500
4.4 Administration	500
<b>Total</b>	<b>10,000</b>

## Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	710	7
5.2 Deposits at call	1,007	5,347
5.3 Bank overdraft	-	-
5.4 Other (provide details): Escrow for convertible notes not issued as at 30 June 2014	18,550	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>20,267</b>	<b>5,355</b>

+ See chapter 19 for defined terms.



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

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**Changes in interests in mining tenements**

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

- \* Last report number on quarterly
- \*\* Number reported on Denver presentation
- \*\*\* Number reported on Houston presentation

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+ See chapter 19 for defined terms.

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

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

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference <sup>+</sup>securities</b> <i>(description)</i>	Nil			
7.2 Changes during quarter				
(a) Increases through issues	Nil			
(b) Decreases through returns of capital, buy-backs, redemptions	Nil			
7.3 <b><sup>+</sup>Ordinary securities</b>	255,000,000	255,000,000		
7.4 Changes during quarter				
(a) Increases through issues	Nil			
(b) Decreases through returns of capital, buy-backs	Nil			
7.5 <b><sup>+</sup>Convertible debt securities*</b>	20,000,000	20,000,000	\$2.00	Fully paid
7.6 Changes during quarter				
(a) Increases through issues	2,915,000			
(b) Decreases through securities matured, converted	Nil			
7.7 <b>Performance Rights</b>	Nil	Nil	<i>Exercise price</i> Nil	<i>Expiry date</i> N/A
7.8 Issued during quarter	Nil			
7.9 Exercised during quarter	Nil			
7.10 Expired during quarter	Nil			
7.11 <b>Debentures</b> <i>(totals only)</i>	Nil			
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	Nil			

\* Effective 12 July 2013 - Convertible at a rate of 1:3. Interest paid at 10% quarterly in arrears. Expiry date is 30 October 2023. The notes can be converted to ordinary shares at any time.

+ See chapter 19 for defined terms.

## Compliance statement

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

Sign here: ..... Date: **31 July 2014**  
(Director)

Print name: Vicky McAppion

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.

**CHANGE IN TENEMENT HOLDINGS  
FOR THE QUARTER ENDING 30 JUNE 2014**

**USA – Wells**

<b>Project Name</b>	<b>County/State</b>	<b>Well Name</b>	<b>% Interest</b>	<b>% Interest Acquired/Increased During the Quarter</b>	<b>% Interest Disposed During the Quarter</b>
<b>Oyster Creek</b>	Brazoria/TX	Harrison 2	67.50		
		Harrison 3	67.50		
<b>Southern Star</b>	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		
		Nova 33-2	19.20	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		

**CHANGE IN TENEMENT HOLDINGS  
FOR THE QUARTER ENDING 31 MARCH 2014**

**USA – Wells (continued)**

Project Name	County/State	Well Name	% Interest	% Interest Acquired/Increased During the Quarter	% Interest Disposed During the Quarter
<b>Southern Star-</b>		Barnes 1	100.00		
<b>Northern Ext.</b>		Robinson 1	100.00		
		Robinson 2	100.00		
		SLKT 1	100.00		
<b>Big Star</b>	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		
<b>Northern Star</b>	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		
<b>Hawkville</b>	McMullen/TX	Donnell 457-1H	0.12500		
(ORRI Only)		Donnell C-1H	0.99345		
		Donnell C-2H	1.06054		
		Donnell-Mulholland Unit1	0.059553	0.059553	
		Donnell-Mulholland Uni2	0.059553	0.059553	

**USA – Areas of Interest**

Project Name	County/State	Notes	Acquired/Increased During the Quarter	Disposed During the Quarter
Oyster Creek	Brazoria/TX			
Hawkville	McMullen/TX	ORRI Interest only		
Northern Star	Dawson/TX			
Big Star	Dawson/TX			
Southern Star (incl Northern Ext.)	Howard/TX			