



ANTARES ENERGY LIMITED

ABN 75 009 230 835

HALF-YEAR FINANCIAL REPORT

For the half year ended 30 June 2014

DIRECTORS' REPORT

The Directors of Antares Energy Limited ("Antares" or "the Company") present their report and the half-year financial statements of Antares and the entities it controlled (collectively "the Consolidated Entity" or "the Group") at the end of, or during the half-year ended 30 June 2014.

DIRECTORS

The names of the Company's directors in office during the half-year and until the date of this report are as below. All Directors were in office for this entire period unless stated otherwise:

James Andrew Cruickshank	Chairman & CEO
Gregory David Shoemaker	Director & Chief Scientist
Vicky Ann McAppion	Director & Finance & Administration Manager
Kelli Roach	Director, General Counsel & Chief Administrative Officer (resigned 30 April 2014)
Mark Gerard Clohessy	Non Executive Director

REVIEW AND RESULTS OF OPERATIONS

Antares during the period has maintained its operational focus upon its three projects located in the Permian Basin, West Texas, USA being Southern Star, Big Star and Northern Star in keeping with company presentations. Antares has reported a net profit for the period of \$504,000.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporation Act 2001 requires Antares' auditors, Ernst and Young, to provide the directors of the Company with an Independence Declaration in relation to the review of the half year financial statements. This Independence Declaration is included at Page 2 and forms part of this Directors' Report.

ROUNDING

The amounts contained in this report and in the half-year financial statements 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.

Signed in accordance with a resolution of the directors.



J. A. CRUICKSHANK

Chairman

Perth, 12 September 2014

Auditor's Independence Declaration to the Directors of Antares Energy Limited

In relation to our review of the financial report of Antares Energy Limited for the half year ended 30 June 2014, 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



Gavin Buckingham
Partner
12 September 2014

Statement of Comprehensive Income

For the Half Year Ended 30 June 2014

Consolidated			
	Note	6 months ended 30 June 2014 \$'000	6 months ended 30 June 2013 \$'000
Continuing operations			
Revenue	3(a)	168	843
Cost of goods sold		(279)	(502)
Gross (loss)/profit		(111)	341
Other income	3(b)	–	9,987
Other expenses excluding finance costs	3(c)	(1,834)	(1,071)
Finance costs		(2,114)	(698)
(Loss)/profit before income tax		(4,059)	8,559
Income tax benefit/(expense)		1,182	(1,415)
(Loss)/profit from continuing operations		(2,877)	7,144
Discontinued operation	8	3,381	13,745
Net profit for the period		504	20,889
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(7,565)	12,688
Other comprehensive income/(loss) net of tax		(7,565)	12,688
Total comprehensive income/(loss) for the period		(7,061)	33,577
Earnings/(loss) per share (cents per share)			
<i>Earnings from continuing operations:</i>			
Basic earnings/(loss) per share for the period		(1.1)	2.8
Diluted earnings/(loss) per share for the period		(1.1)	2.4
<i>Earnings from all operations:</i>			
Basic earnings/(loss) per share for the period		0.2	8.1
Diluted earnings/(loss) per share for the period		0.2	7.0

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

Statement of Financial Position

As at 30 June 2014

Consolidated

	Note	30 June 2014 \$'000	31 December 2013 \$'000
CURRENT ASSETS			
Cash and cash equivalents	4	20,270	4,681
Trade and other receivables		3,555	4,111
Prepayments		–	5,173
Current tax assets		–	856
		23,825	14,821
Disposal group classified as held for sale	8(a)	194,605	192,055
Total current assets		218,430	206,876
NON-CURRENT ASSETS			
Property, plant and equipment		101	159
Total non-current assets		101	159
TOTAL ASSETS		218,531	207,035
CURRENT LIABILITIES			
Trade and other payables		4,879	7,665
Interest-bearing loans and borrowings	5	26,115	36,386
Provisions		852	803
		31,846	44,854
Liabilities directly associated with disposal group classified as held for sale	8(b)	6,281	4,925
Total current liabilities		38,127	49,779
NON-CURRENT LIABILITIES			
Interest-bearing loans and borrowings	5	57,325	28,589
Deferred tax liabilities		10,661	10,235
Provisions		–	72
Total non-current liabilities		67,986	38,986
TOTAL LIABILITIES		106,113	88,675
NET ASSETS		112,418	118,360
EQUITY			
Contributed equity	6	89,026	89,026
Reserves		3,099	9,545
Retained earnings		20,293	19,789
TOTAL EQUITY		112,418	118,360

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

Statement of Changes in Equity

For the Half Year Ended 30 June 2014

CONSOLIDATED

6 months ended 30 June 2013

Balance at 1 January 2013
Loss for the period
Other comprehensive income
Exchange differences on translation of foreign operations
Total comprehensive income for the period
Transactions with owners in their capacity as owners:
Shares bought back during the period
Share based payments
Balance at 30 June 2013

Ordinary Share Capital \$'000	Retained Profits \$'000	Foreign Currency Reserve \$'000	Convertible Note Premium Reserve \$'000	Share Option Reserve \$'000	Total \$'000
89,727	(3,154)	(16,005)	1,755	5,807	78,130
-	20,889	-	-	-	20,889
-	-	12,688	-	-	12,688
-	20,889	12,688	-	-	33,577
(701)	-	-	-	-	(701)
-	-	-	-	(31)	(31)
89,026	17,735	(3,317)	1,755	5,776	110,975

6 months ended 30 June 2014

Balance at 1 January 2014
Profit for the period
Other comprehensive income
Exchange differences on translation of foreign operations
Total comprehensive income/(loss) for the period
Transactions with owners in their capacity as owners:
Issue of convertible notes
Balance at 30 June 2014

89,026	19,789	761	2,901	5,883	118,360
-	504	-	-	-	504
-	-	(7,565)	-	-	(7,565)
-	504	(7,565)	-	-	(7,061)
-	-	-	1,119	-	1,119
89,026	20,293	(6,804)	4,020	5,883	112,418

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

Statement of Cash Flows

For the Half Year Ended 30 June 2014

	Note	Consolidated	
		6 months ended 30 June 2014 \$'000	6 months ended 30 June 2013 \$'000
Cash flows from operating activities			
Receipts from customers		14,433	15,053
Payments to suppliers and employees		(13,995)	(6,059)
Interest received		30	3
Interest paid		(2,114)	(751)
Income taxes refunded		1,111	2,722
Payments of withholding and franchise taxes		–	(279)
Net cash inflows/(outflows) from operating activities		(535)	10,689
Cash flows from investing activities			
Exploration, evaluation and development expenditure		(3,486)	(10,204)
Proceeds from sale of oil and gas properties		–	9,978
Net cash outflows from investing activities		(3,486)	(226)
Cash flows from financing activities			
Payments for share buy-back		–	(701)
Proceeds from borrowings		29,100	–
Repayments of borrowings		(8,447)	(8,590)
Net cash (outflows)/inflows from financing activities		20,653	(9,291)
Net increase/(decrease) in cash and cash equivalents held		16,632	1,172
Cash and cash equivalents at the beginning of the period		4,681	3,349
Effects of exchange rate changes on cash		(1,043)	2,982
Cash and cash equivalents at the end of the period		20,270	7,503

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

Notes to the Financial Statements

For the Half Year Ended 30 June 2014

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation and going concern

These general purpose condensed financial statements for the half-year reporting period ended 30 June 2014 have been prepared in accordance with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial statements.

The half-year financial report should be read in conjunction with the Annual Financial Statements of Antares Energy Limited as at 31 December 2013. It is also recommended that the interim half-year financial statements be considered together with any public announcements made by Antares Energy Limited during the half-year ended 30 June 2014 in accordance with the continuous disclosure obligations arising under the ASX Listing Rules.

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 half-year ended 30 June 2014, the Group generated a consolidated profit of \$0.504 million and incurred operating cash outflows of \$0.535 million. As at 30 June 2014 the Group has cash and cash equivalents of \$20.270 million and net current liabilities (excluding disposal groups classified as held for sale) of \$8.021 million. Current liabilities includes \$26.115 million of interest bearing borrowings from Macquarie Bank Limited ("the Macquarie facility"). The Macquarie facility is required to be repaid in full by on or about 14 December 2014.

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis as they have a reasonable basis to conclude that the Macquarie Bank facility will either be extended or repaid out of proceeds from asset sales or further convertible note issues prior to its 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.

NOTE 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset 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.

Adoption of new or revised Standards

Apart from the adoption of new or revised accounting standards noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

All new and amended Standards and Interpretations effective from 1 January 2014 have been adopted, including:

- *AASB 2011-4 Amendments to Australian 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. None of these disclosure requirements are applicable to the half-year financial report.
- *AASB 2012-3 Amendments to Australian 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. The adoption of AASB 2012-3 had no effect on the financial position or performance of the Group.
- *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. The adoption of Interpretation 21 had no effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments that have been issued but that are not yet effective.

Notes to the Financial Statements

For the Half Year Ended 30 June 2014

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 Company's activities are interrelated, and discrete financial information is reported to the 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 Group as a whole.

The Group derives its revenue primarily from the sale of oil and gas produced in the USA. During the interim half-year reporting periods ended 30 June 2013 and 30 June 2014 external sales of oil and gas were made to customers solely located in the USA.

	Consolidated	
	6 months ended 30 June 2014	6 months ended 30 June 2013
	\$'000	\$'000
Analysis of revenue:		
Oil	37	716
Gas	101	124
Interest	30	3
	168	843

	Consolidated	
	30 June 2014	31 December 2013
	\$'000	\$'000
Geographical split of non-current assets:		
USA	27	54
Australia	74	105
	101	159

NOTE 3 REVENUE, INCOME AND EXPENSES

	Consolidated	
	6 months ended 30 June 2014	6 months ended 30 June 2013
	\$'000	\$'000
a) Revenue		
Sale of product	138	840
Interest Revenue	30	3
	168	843

Notes to the Financial Statements

For the Half Year Ended 30 June 2014

NOTE 3 REVENUE, INCOME AND EXPENSES (contd)

		Consolidated	
		6 months ended 30 June 2014	6 months ended 30 June 2013
		\$'000	\$'000
b) Other income:			
Gain on disposal of interest in leases		–	9,967
Foreign exchange gain		–	20
		–	9,987
c) Other expenses:			
General and Administrative expenses		693	86
Foreign exchange loss		1	–
Employee benefits		1,140	1,003
Exploration expenditure written back		–	(18)
		1,834	1,071
d) The following item is included in the Cost of Sales:			
Amortisation of oil and gas properties		46	296

NOTE 4 CASH AND CASH EQUIVALENTS

For the purposes of the half-year cash flow statement, cash and cash equivalents are comprised of the following:

		Consolidated	
		30 June 2014	31 December 2013
		\$'000	\$'000
Cash at bank and on hand		20,270	4,681
		20,270	4,681

NOTE 5 INTEREST-BEARING LOANS AND BORROWINGS

		Consolidated	
		30 June 2014	31 December 2013
		\$'000	\$'000
Current			
US\$200 million term debt facility		26,115	36,386
		26,115	36,386
Non-Current			
Convertible notes		57,325	28,589
		57,325	28,589

Convertible Notes

The convertible notes are a compound financial instrument comprising both an equity component and a debt 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.

As at 30 June 2014 there was a total of 29,750,000 notes on issue (31 December 2013: 15,000,000). The terms of the notes are as follows:

Interest Rate: 10% per annum (payable quarterly in arrears)

Conversion Rate: 1:3 (each note is convertible into three fully paid ordinary share)

Next reset date: 31 October 2015

US\$200 Million Tem 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, expiring in December 2014. 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	
	30 June 2014 \$'000	31 December 2013 \$'000
Facility used and partially repaid at reporting date	61,732	64,988
Facility unused at reporting date	150,583	158,526

NOTE 6 CONTRIBUTED EQUITY

	Consolidated	
	30 June 2014 \$'000	31 December 2013 \$'000
Issued and paid up capital		
Fully paid ordinary shares	89,026	89,026
Movement in ordinary shares on issue	No. of shares	\$'000
At 1 January 2014	255,000,000	89,026
Shares bought back on market	–	–
At 30 June 2014	255,000,000	89,026
Movement in ordinary shares on issue	No. of shares	\$'000
At 1 January 2013	257,000,000	89,727
Shares bought back on market	(2,000,000)	(701)
At 31 December 2013	255,000,000	89,026

Notes to the Financial Statements

For the Half Year Ended 30 June 2014

NOTE 7 COMMITMENTS AND CONTINGENCIES

The only changes to the commitments and contingencies disclosed in the most recent annual financial statements are specified below.

Exploration Commitments

At 30 June 2014 there are no commitments for exploration expenditure that are not provided for in the financial statements.

		Consolidated	
NOTE 8	ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION	30 June 2014	31 December
		\$'000	2013
			\$'000
	(a) Assets classified as held for sale		
	Disposal group held for sale (discontinued operation – see (c) below)		
	Oil and gas properties	164,124	160,375
	Deferred exploration and evaluation expenditure	30,481	31,680
	Total assets of disposal group held for sale	194,605	192,055
	(b) Liabilities directly associated with assets classified as held for sale		
	Disposal group held for sale (discontinued operation – see (c) below)		
	Provisions	4,747	4,925
	Payables	1,534	–
		6.281	4.925

(c) Discontinued operation

(i) Description

During July 2014 the Group announced the receipt of a Letter of Intent for the sale of all of the Group's Permian Assets in the amount of USD \$300,000,000. The assets and liabilities associated with the Permian Assets were classified as held for sale as at 30 June 2014 and the results are reported as a discontinued operation in these financial statements.

Refer to the table below for financial information relating to the discontinued operations for the period:

Notes to the Financial Statements

For the Half Year Ended 30 June 2014

NOTE 8 ASSETS AND LIABILITIES CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATION (continued)	Consolidated	
	30 June 2014 \$'000	30 June 2013 \$'000
<i>(ii) Financial performance</i>		
Revenue	11,143	10,484
Cost of sales	(5,510)	(9,584)
Gross profit	5,633	900
Other income	–	65
Reversal of impairment relating to oil and gas properties and capitalised exploration	–	19,297
Other expenses	(355)	–
Finance costs	–	(40)
Profit before income tax of discontinued operation	5,278	20,222
Income tax expense	(1,897)	(6,477)
Profit after tax from discontinued operation	3,381	13,745
Earnings per share – cents per share		
Basic from discontinued operations	1.3	5.4
Diluted from discontinued operations	1.3	5.2

NOTE 9 EVENTS AFTER THE BALANCE SHEET DATE

On 21 July 2014, the Company advised the market that it had received a confidential, unsolicited, indicative and incomplete proposal in relation to the acquisition of the entire issued capital of the Company.

NOTE 10 FINANCIAL RISK MANAGEMENT: FAIR VALUE

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

The fair values are determined as follows:

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

The fair value of convertible notes was determined with reference to the closing market price on 30 June 2014 (Level 2). The fair value of the financial liability was \$2.09 per note which equates to a total fair value of \$62,177,500 compared to the carrying value of \$57,325,000 (31 December 2013: fair value \$31,500,000, carrying value \$28,589,000).

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:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (1) giving a true and fair view of the financial position as at 30 June 2014 and the performance for the half-year ended on that date of the consolidated entity; and
 - (2) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) Subject to achieving the matters set out in Note 1 to the financial report, there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



J. A. CRUICKSHANK

Chairman

Perth, 12 September 2014

Independent review report to the members of Antares Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Antares Energy Limited, which comprises the statement of financial position as at 30 June 2014, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Antares Energy Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Antares Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 1 to the financial report. The matters set forth in Note 1, 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.



Ernst & Young



Gavin Buckingham
Partner
Perth
12 September 2014