



**ANTARES ENERGY LIMITED**

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30 April 2015

## **QUARTERLY ACTIVITY REPORT FOR THE QUARTER ENDED 31 MARCH 2015**

### **Highlights:**

- 1. Northern Star Project**
  - Significant Lower Spraberry oil-rich horizontals adjacent
    - Diamondback Estes well
    - Elk River Glass and Hutch wells
- 2. Big Star Project**
  - Successful RSP test of offsetting Lower Spraberry oil production
  - Ongoing leasing for horizontal campaigns
- 3. Buy Back AZZ - Shares on issue reduced to 241,500,000**

## OPERATIONAL UPDATE FOR THE QUARTER ENDED 31 MARCH 2015

### LETTER TO SHAREHOLDERS FROM THE CHIEF SCIENTIST

Dear Shareholders,

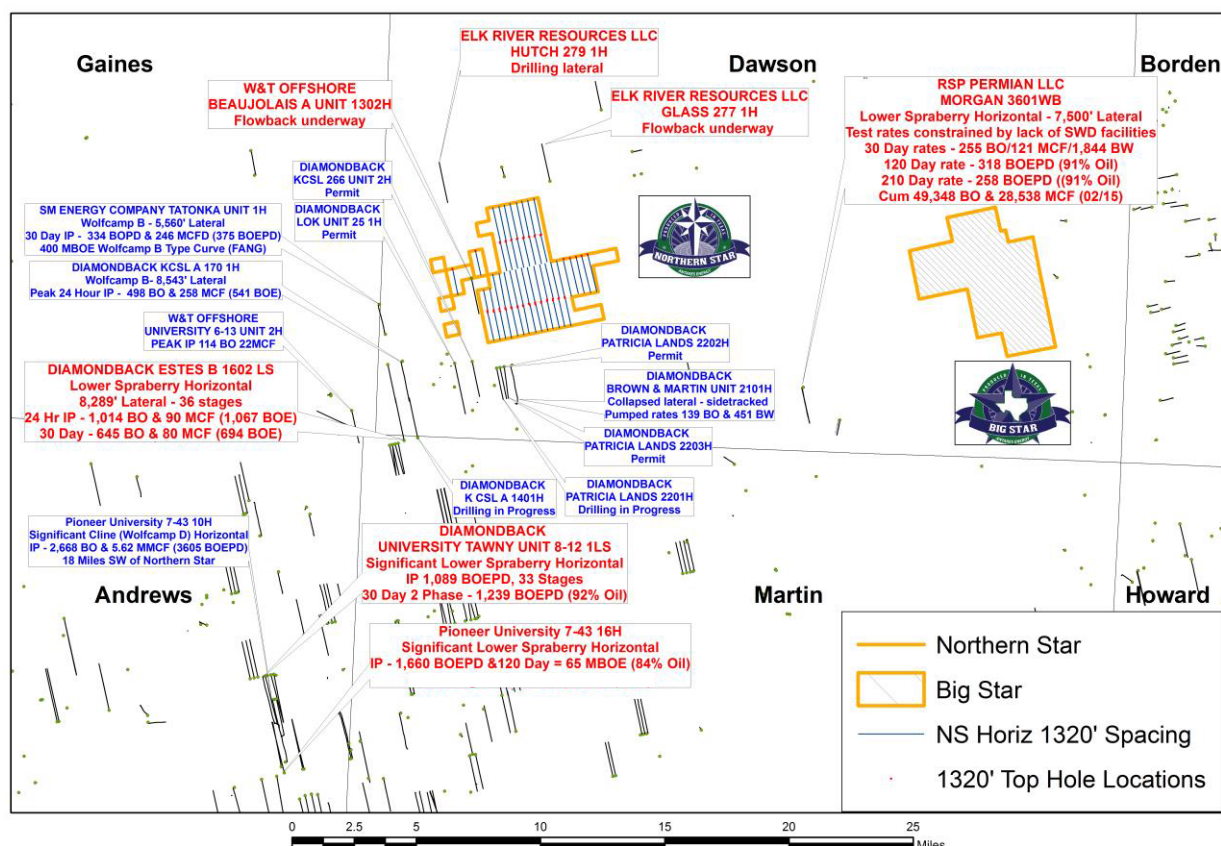
I am pleased to report the following positive developments relative to your company's Permian portfolio during the 1st Quarter of 2015:

#### **Northern Star Project –Spraberry Bench Horizontals**

Continuing with the last quarterly assessment of economic horizontals in the Lower Spraberry directly adjacent to Northern Star, Diamondback Energy Inc (Nasdaq:FANG) reported strong Lower Spraberry results first quarter of 2015 in their Estes B Unit 1602LS well (see Fig. 1). In their written release they stated the following - “The Estes B Unit 1602LS, Diamondback's first Lower Spraberry well in Dawson County, has an 8,289 foot lateral completed with 36 stages, achieving a peak 24 hour 2-stream IP rate of 1,067 boe/d (95% oil) on ESP, with an average peak 30 day 2-stream IP rate of 694 boe/d (93% oil).” Diamondback are pleased with this result as they now believe economic Lower Spraberry horizontals extend from Midland County through to southwestern Dawson County.

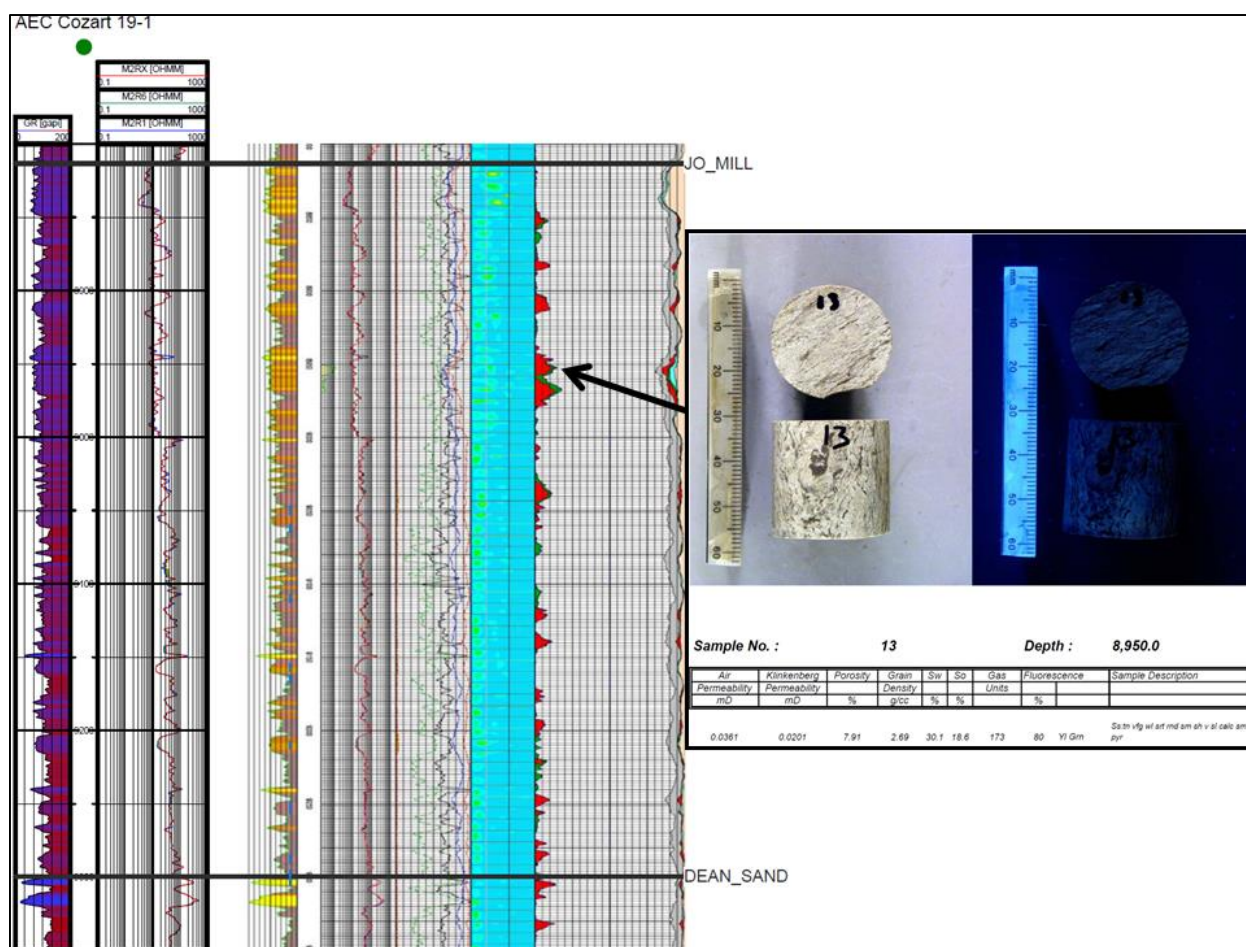
Immediately north of Northern Star, Elk River Resources (Quantum Energy Partners) has proceeded with a multi well Horizontal drilling program in late 2014 and first quarter 2015. These wells are believed to be Spraberry wells based on the limited directional data provided to the state. The lateral lengths are permitted to 7,500 feet as these longer fetches deliver more oil to the borehole. Elk River's Glass 277 1H was recently fracture stimulated and is following back currently. The Hutch 279 1H well is currently drilling the lateral in the Spraberry (see Fig. 1). Economic results in these wells will clearly demonstrate the horizontal value of the Spraberry ledges in the Northern Star footprint.

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**Fig. 1 – Offsetting 2014-15 Spraberry/Wolfcamp Horizontal Wells**

As noted in our last quarterly, Northern Star Lower Spraberry core, petrophysical and geochemical sampling in existing vertical wells indicate development of an economic, brittle fracture stimulating bench with good in-situ hydrocarbon saturations. In Figure 2 below from Cozart 19 No. 1 (7 miles NE of Diamondback Estes Unit B 1602 LS), a sidewall core sample (60 side walls acquired in Cozart 19 No. 1) is juxtaposed to open hole logs with saturation and moveable hydrocarbons data. The Lower Spraberry reservoir sample is a very fine grained sandstone with fine shale laminations indicating a probable basin floor by-pass depositional environment. Porosity and Permeability of the sample is 8% porosity and .04 mD permeability (i.e. a very tight conventional reservoir). The sample has 80% fluorescence confined to the sand rich matrix with oil saturation of 19%, 1.7% methane gas recovered from the core, and water saturation of 30 percent. Magnetic resonance data shows moveable hydrocarbons throughout the stacked 500 feet of very fine grained sand rich depositional lobes with moveable hydrocarbon saturations averaging 20 to 30%.



**Fig. 2 – Northern Star Lower Spraberry Sidewall Core & Petrophysical Character**

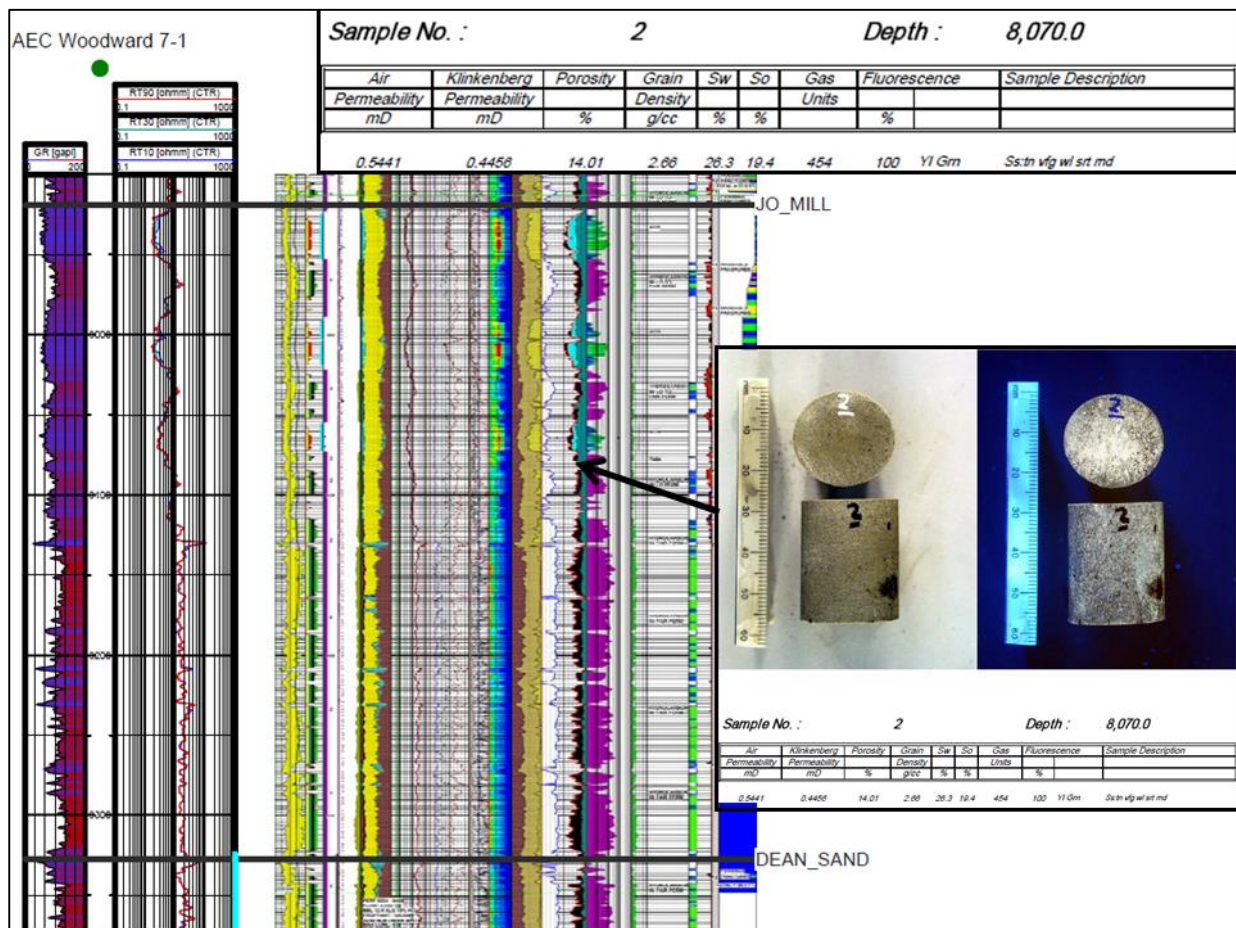
We are highly encouraged by offsetting success in the Lower Spraberry and have begun the process of drilling two pilot holes in untested portions of Northern Star to more fully evaluate the sweet spots within the Spraberry for horizontal drilling. With the acquisition of key borehole data, a strategic horizontal drilling program will be determined. The location and timing of these key horizontal wells will be the subject of later announcements.

### **Big Star Project**

As an update to the last quarterly discussion of significant Big Star offsetting Lower Spraberry results, production in the RSP Permian Morgan 3601 WB (Figure 1 – SW of Big Star AOI) averaged 258 BOEPD (91% oil) after 210 days with an initial IP of 275 BOEPD demonstrating a markedly better decline performance than usual.



As further discussion of the Lower Spraberry quality we have encountered in vertical Big Star wells, in Figure 3 from Woodward 7 No. 1 (7 miles NE of RSP Permian Morgan 3601 WB), a sidewall core sample (43 samples acquired in the well) is juxtaposed to open hole logs with pay flags for completions. The Lower Spraberry reservoir sample is a very fine grained, well sorted sandstone indicating a basin floor fan depositional environment. Poroperm of the sample is 14% porosity and .5 mD permeability (i.e. a tight conventional reservoir). The sample has 100% fluorescence with oil saturation of 19%, 4.5% methane gas recovered from the core, and water saturation of 26 %. The gross interval is 450 feet with analogous petrophysical correlation to the same interval in Northern Star.



**Fig. 3 – Big Star Lower Spraberry Sidewall Core & Petrophysical Character**

The Lower Spraberry reservoir is proven 8 miles due east of Big Star in Borden County in the structural/stratigraphic Jo Mill Field. The Jo Mill Field was discovered in 1954 and has produced over 110 MMBO from 907+ mostly vertical completions from the Lower Spraberry. With horizontal success by RSP Permian Morgan 3601 WB 15 miles due west of the Jo Mill Field producing complex, we have accelerated a 2015 horizontal footprint leasing program which is nearing completion. The completion of this program and early horizontal preparation work will be the subject of future announcements.

In conclusion, we are encouraged by offsetting Lower Spraberry horizontal successes adjacent to both Northern and Big Star projects and we are conducting appropriate operational activities to delineate success in our projects. We continue to remain engaged with interested parties with regard to progressing horizontal development drilling within our projects and look forward to reporting our progress in future announcements.

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")

31 March 2015

### Consolidated statement of cash flows

<b>Cash flows related to operating activities</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
1.1	Receipts from product sales and related debtors	449	449
1.2	Payments for (a) exploration & evaluation	(494)	(494)
	(b) development	(548)	(548)
	(c) production	(93)	(93)
	(d) administration	(943)	(943)
1.3	Dividends received	1,408	1,408
1.4	Interest and other items of a similar nature received	16	16
1.5	Interest and other costs of finance paid	(1,197)	(1,197)
1.6	Income taxes paid	-	-
1.7	Other:-		
	Texas Franchise Tax	-	-
	Withholding Tax	-	-
<b>Net Operating Cash Flows</b>		<b>(1,402)</b>	<b>(1,402)</b>
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(790)	(790)
	(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>(790)</b>	<b>(790)</b>
1.13	Total operating and investing cash flows (carried forward)	(2,192)	(2,192)

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(2,192)	(2,192)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)		
	• Share issue transaction costs	-	-
	• Share buy-back	(79)	(79)
	• Convertible Note buy-back	(4,378)	(4,378)
	• Frictional costs	-	-
	<b>Net financing cash flows</b>	<b>(4,457)</b>	<b>(4,457)</b>
	<b>Net increase (decrease) in cash held</b>	<b>(6,649)</b>	<b>(6,649)</b>
1.20	Cash at beginning of quarter/year to date	14,732	14,732
1.21	Exchange rate adjustments to item 1.20	889	889
1.22	<b>Cash at end of quarter</b>	<b>8,972</b>	<b>8,972</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'ooo
1.23	Aggregate amount of payments to the parties included in item 1.2	(492)
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

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

+ 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 renewed its 200,000,000 USD term debt facility for a 5 year period at an interest rate of LIBOR plus 4.0 percent with Macquarie Bank Limited.	US\$200,000	US Nil

## Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	500
4.3 Production	500
4.4 Administration	500
<b>Total</b>	<b>2,000</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	128	1,322
5.2 Deposits at call	8,844	13,410
5.3 Bank overdraft	-	-
5.4 Other (provide details): Escrow for convertible notes not issued as at 30 June 2014	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>8,972</b>	<b>14,732</b>

+ See chapter 19 for defined terms.

**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	Big Star Project	Relinquished /Lapsed 365 Acres	
6.2	Interests in mining tenements acquired or increased	Northern Star Project	13,199	13,309
		Big Star Project	11,049	12,328

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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 +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>+Ordinary securities</b>	241,500,000	241,500,000		
7.4	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through buy-backs	(500,000)			
7.5	<b>+Convertible debt securities*</b>	23,750,000	23,750,000	\$2.00	Fully paid
7.6	Changes during quarter				
	(a) Increases through issues	Nil			
	(b) Decreases through buy-backs	(2,250,000)			
7.7	<b>Performance Rights</b>			<b>Exercise price</b>	<b>Expiry date</b>
		Nil	Nil	Nil	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: **30 April 2015**  
(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 31 MARCH 2015

## USA – Wells

Project Name	County/State	Well Name	% Interest	% Interest Acquired/Increased During the Quarter	% Interest Disposed During the Quarter
<b>Oyster Creek</b>	Brazoria/TX	Harrison 2			P&A Feb 2015
<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 (ORRI Only)</b>	McMullen/TX	Donnell 457-1H	0.12500		
		Donnell C-1H	0.99345		
		Donnell C-2H	1.06054		
		Donnell-Mulholland #1	0.059553		
		Donnell-Mulholland #2	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			