



# ANTARES ENERGY LIMITED

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11 March 2016

## TRUSTEE LETTER TO NOTEHOLDERS

Antares Energy Limited encloses a letter sent yesterday, by the Trustee, to all Convertible Noteholders.

For further information please contact:

James Cruickshank  
Chairman & CEO

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10 March 2016

To the Noteholder as addressed

Dear Noteholder

**Antares Energy Limited ACN 009 230 835 ("Issuer")  
Note Trust Deed dated 19 September 2003 between the Issuer and The Trust Company  
Limited (formerly known as The Trust Company of Australia Limited) ACN 004 027 749  
("Trustee") (as amended) ("Trust Deed")**

As you know, we act as Trustee for Noteholders under the Trust Deed.

We refer to the following documents recently provided to Noteholders:

- (a) Notice of Meeting issued by the Trustee, by which the Trustee has convened a meeting of Noteholders at 3:00pm (AEDT) on 21 March 2016 at the offices of Baker & McKenzie, Level 27 AMP Centre, 50 Bridge Street, Sydney, New South Wales (the **Sydney Meeting**).
- (b) Notice of Meeting issued by the Issuer (which accompanies this letter), by which the Issuer has convened a meeting of Noteholders at 12:00 pm (WST) on 31 March 2016 at the Parmelia Hilton Perth, 14 Mill Street, Perth, Western Australia (the **Perth Meeting**).

The purpose of this circular is to inform Noteholders of:

1. **Perth Meeting**: the Trustee's recommendations on the resolutions set out in the Issuer's Notice of Meeting; and
2. **Sydney Meeting**: the Trustee's current intention to proceed with the Sydney Meeting as scheduled on 21 March 2016 at 3:00 pm.

**Resolutions set out in the Issuer's Notice of Meeting - Perth Meeting**

The Issuer's Notice of Meeting contains two proposed resolutions which concern:

1. amendments to various clauses in the Terms and Conditions of the Notes, being Schedule 1 to the Trust Deed (**Resolution 1**); and
2. the appointment of an 'Independent Investigator' to conduct an 'independent business review' on behalf of the Trustee (**Resolution 2**).

The Issuer's Notice of Meeting sets out the terms of the proposed resolutions in full. Noteholders should have regard to the full text of the proposed resolutions when considering how to vote in relation to those proposed resolutions. As well, the Trustee encourages Noteholders to obtain their own independent legal, financial, tax and accounting advice in relation to their investments in the Notes generally and in relation to the Issuer's Notice of Meeting.

Regarding practicalities for the Perth Meeting, Noteholders should be aware that the Trustee (following interest from some Noteholders) did propose to the Issuer that the order of the resolutions in the Issuer's Notice of Meeting be switched (so that Resolution 2 was considered first). The Trustee also proposed that the Perth Meeting be held in Sydney (with video or

telephone conference to Perth). Ultimately, those proposals were not able to be agreed with the Issuer.

Noteholders should also note that the Trustee intends to appoint an independent chairperson for the Perth Meeting (i.e. a chairperson not affiliated with the Issuer or the Trustee).

#### *Resolution 1 - amendments to the Terms and Conditions of the Notes*

The Trustee considers that several matters should be considered by Noteholders in deciding how they vote on Resolution 1:

- (a) *Cash flow forecast:* Presently, the information provided to Noteholders by the Issuer in connection with the Perth Meeting does not demonstrate that the Issuer will be in a position to continue to trade for the duration of the proposed period of extension of the redemption date of the Notes (i.e. 31 March 2017), on the basis of its currently available liquid assets. Accordingly, unless the Issuer (i) sells some or all of its non-liquid assets, or (ii) raises further capital from some other source, before 31 March 2017, then the Issuer may exhaust its cash supply.
- (b) *Sale of US assets:* The Trustee does not understand that there is presently any binding agreement in place between the Issuer and a third party purchaser for the acquisition of the whole of the Issuer's US oil field assets ("Big Star" and "Northern Star"), aside from the agreement previously made with "Wade Energy Corporation" that has not been completed. The Trustee is also not aware of the identity of the Issuer's prospective joint venture partner, the financial wherewithal of that prospective partner, the terms and conditions that may attach to any proposed joint venture between the Issuer and its joint venture partner (including conditions precedent to completion), or the timing of proposed entry into any such joint venture.
- (c) *Unavailability of cash:* The Trustee is also concerned that, as a separate but related issue, any insolvency process that occurs in relation to the Issuer in circumstances where the Issuer has little or no cash available, will make that insolvency process (such as a voluntary administration) very challenging. It may also necessitate any voluntary administrator having to borrow funds for the conduct of the voluntary administration of the Issuer (and the orderly realisation of the Issuer's assets) and the obligations to repay any such borrowings procured by a voluntary administrator would rank ahead of the Issuer's obligations to repay principal and interest to Noteholders, in respect of Notes on issue.
- (d) *Independent business review:* The Trustee did propose to the Issuer that the 'independent business review' contemplated by Resolution 2 be conducted voluntarily by the Issuer before the meeting on 31 March 2016, so that Noteholders could have the benefit of the review findings when considering Resolution 1. Discussions in that regard are ongoing between the Issuer and the Trustee. A further update will be provided to Noteholders on this issue in due course.

The Trustee encourages Noteholders to consider those matters in deciding on how to vote on Resolution 1.

#### *Resolution 2 - independent business review*

The Trustee wishes to better understand the Issuer's cash flow and liquidity position, and the Issuer's conduct of efforts to realise its US oil field assets. That will include an examination of

the key assumptions underlying the Issuer's current cash flow forecast, which the Trustee expects will include consideration of the Issuer's "lease profile" for the US oil field assets (i.e. anticipated expenditure on maintaining existing leases for those assets).

This is proposed to be done through the appointment of a proposed 'Independent Investigator', who will be an independent accountant selected by the Issuer and Trustee (or failing agreement, the Trustee).

The appointment will assist the Trustee in performing its duties under the *Corporations Act 2001* (Cth) and the Trust Deed, and will also assist the Trustee in updating Noteholders on the status of their investments in the Notes. The Trustee expects the appointment to also assist in maintaining an environment of transparency between the Issuer, the Trustee and Noteholders.

The independent business review will involve paying fees to the 'Independent Investigator'.

While it is proposed that a written report will be provided to the Trustee by the 'Independent Investigator', that report will be confidential to the Issuer and the Trustee. So, the report may not be able to be disclosed to Noteholders.

Finally, Noteholders will observe that (in contrast to the resolution to be considered at the Sydney Meeting) Resolution 2 contemplates a "cash flow forecast" review, in place of the "valuation" aspect of the 'independent business review' (as proposed in the Trustee's resolution proposed to be considered at the Sydney Meeting). This change to the scope of the review reflects a proposal to first focus on the Issuer's cash flow. If Resolution 2 is passed, a valuation of the US oil field assets may be considered at a later stage as further information comes to light during the course of the 'independent business review'.

#### ***Queries raised by FIIG Securities Limited***

On 10 March 2016, the Trustee received a communication from FIIG Securities Limited (**FIIG**), which outlines a number of queries that are properly addressed to the Issuer. Many of those queries are common to issues and themes previously raised by the Trustee with the Issuer.

FIIG has queried the effect of a formal insolvency process for the Issuer on the Issuer's US oil field assets, which the Trustee understands are owned by a wholly-owned US domiciled subsidiary of the Issuer. The Trustee is seeking its own privileged and confidential legal advice in relation to that issue, and will update Noteholders on this query in due course (in advance of the Perth Meeting).

Regarding the balance of the queries communicated by FIIG, the Trustee has raised the other queries with the Issuer. The Trustee has requested that the Issuer provide a supplementary information statement to Noteholders as soon as possible in advance of the Perth Meeting, responding to those queries.

#### **Trustee's recommendations on the resolutions**

Having in mind the above commentary, the Trustee:

1. **recommends** that Noteholders vote in favour of **Resolution 2**; and
2. **does not make any recommendation** as to how Noteholders should vote in relation to **Resolution 1** (voting on Resolution 1 is a matter for the Noteholders to consider themselves).

As stated above, the Trustee encourages Noteholders to obtain their own independent legal, financial, tax and accounting advice in relation to their investments in the Notes generally and in relation to the Issuer's Notice of Meeting. The Trustee is not your financial advisor, and does not offer any advice (financial or otherwise) to you in relation to your investment in the Notes or otherwise.

#### **Sydney conference facilities for meeting on 31 March 2016**

The Trustee is mindful that a significant number of Noteholders, by value, are situated in Sydney. The venue for the Perth Meeting was discussed with the Issuer, but ultimately was left as Perth.

The Trustee (in conjunction with the Issuer) intends to make videoconferencing and/or teleconferencing facilities available for Noteholders in Sydney, to assist with participation in the Perth Meeting by Noteholders situated in Sydney.

At this stage, the Trustee intends to make those facilities available at the offices of Baker & McKenzie, located at Level 27 AMP Centre, 50 Bridge Street, Sydney NSW 2000 at **3:00 pm AEDT**.

#### **The Sydney Meeting - 21 March 2016**

The Trustee is conscious that the Sydney Meeting is occurring only 10 days before the Perth Meeting. The Trustee has determined, however, that it is proper to continue with holding the Sydney Meeting as previously notified.

Noteholders should be aware that the Trustee has explored with the Issuer the possibility of cancelling the Sydney Meeting, in favour of the subsequently convened Perth Meeting. At this stage, those discussions have not been successful, however, discussions are continuing in that regard.

If the present position changes, then the Trustee will communicate further with Noteholders about the conduct of the Sydney Meeting.

Finally, Noteholders should also note that the Trustee intends to appoint an independent chairperson for the Sydney Meeting (i.e. a chairperson not affiliated with the Issuer or the Trustee).

Should you have any queries regarding this letter, please contact me on +61 (02) 9229 9872.

Yours sincerely



**Dan Rose**

For and on behalf of The Trust Company Limited  
in its capacity as Trustee under the Trust Deed