ANTARES ENERGY

ANTARES ENERGY LIMITED

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31 January 2007

QUARTERLY ACTIVITY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2006

1. EXPLORATION

1.1 Project: Oyster Creek – Brazoria County, Texas

Antares Energy executed a Participation Agreement with Slawson Exploration Company, Inc. of Wichita, Kansas, on 26 May 2006, to participate at a working interest level of 75% in the drilling of an initial 12,800 foot well to test the lower Frio formation adjacent to the productive S. Angleton (Collins Lake) Field (17 Bcf to date) in Brazoria County, Texas.

1.1.1 Project: Oyster Creek, Prospect: Oyster Creek, Well: Harrison-1 Antares Energy 75%, Slawson Exploration operator

The Harrison-1 well was spudded on 27 September 2006 and reached a total depth of 12,442 ft on 3 November 2006 before a gas kick resulted in the loss of the hole to the base of the surface casing. The hole was plugged back to 5,042 feet and sidetracked to a total depth of 12,805 feet by 5 January 2007. The well was logged and 4 ½" casing was run and cemented. The rig was released at 12:00 noon on 9 January 2007 and commenced moving to the Scott-2 location. An insurance claim for the loss of the first hole is proceeding.

The Harrison-1 well is currently ready for production testing. Severe rain has meant the location is requiring some repair before production testing can commence.

1.1.2 Project: Oyster Creek, Prospect: Scott, Well: Scott-2 Antares Energy 67.5%, Slawson Exploration operator

The Scott-2 well spudded at 20:00 hrs on 25 January 2007. The rig is currently drilling ahead at a depth of 2,985 feet after setting surface casing at 2,582 feet. The Scott-2 well is being drilled for similar Frio objectives to those encountered in the Harrison-1 well but in an adjacent fault block.

1.2 Project: Little Bear – Victoria County, Texas

Antares Energy announced the signing of a Participation Agreement and Joint Venture Operating Agreement on 25 October 2006, with Hollimon Oil Corporation for the participation in the Little Bear project and drilling of the initial well called Garcitas Ranch C-1. Hollimon Oil is the Operator and Antares is participating with a working interest level of 23.5% to test Middle and Upper Wilcox objectives in Victoria County, Texas. The agreement covers a 2,000 acre lease with 2 gas prospects defined by seismic amplitude anomalies on good quality re-processed 3D seismic.

1.2.1 Project: Little Bear, Prospect: Garcitas Ranch, Well: Garcitas Ranch C-1 Antares Energy 23.5%, Hollimon Oil operator

The Garcitas Ranch C-1 well spudded on 16 December 2006 at 20:00 hrs. 13 $^5/_8$" casing was run and cemented to 3,185 ft on 23 December 2006, 11 $^7/_8$" casing to 5,668 ft on 8 January 2007 and 9 $^5/_8$" casing was set at 10,750 feet on 21 January 2007.

The Upper Wilcox secondary target encountered significant gas sands which exceeded pre-drill expectations.

The well reached a final TD of 13,030 feet, wireline logs were run and preparations are now underway to run casing prior to a production testing program.

The Middle Wilcox encountered gas sands in line with pre-drill expectations.

This is a highly competitive environment and the operator has declared this well a "tight hole" and stated it is imperative that the joint venture partners limit information released on this well for the time being, which Antares feels would be in the best interests of shareholders.

Please note that a "tight hole" is a commonly used term in the oil and gas industry that severely limits the amount of sensitive information released on a well, usually in order to preserve a competitive advantage. The term has nothing to do with porosity or reservoir quality.

1.3 Project: Yellow Rose 3D Seismic Project – McMullen County, Texas

Antares Energy has executed an agreement to participate on a ground floor basis in the acquisition of a large 72 square mile (approximately 39,000 acres) 3D seismic survey in McMullen County, Texas. The project is called Yellow Rose and is nearby the Shaeffer Ranch project. Under the agreement, Antares will have 50% of the project which will be operated by San Isidro Development Company, L.C. ("San Isidro Development") who holds the other 50% of the project. San Isidro Development is also Antares' 50% partner and operator of the Shaeffer Ranch project.

The Yellow Rose area is along a regionally well-defined and productive hydrocarbon fairway that has not previously had 3D seismic acquired over it.

Line clearing commenced in late 2006 before halting for the hunting season. The seismic acquisition is tentatively scheduled to begin on or about 1 March 2007, and the seismic contractor will resume line clearing by early February.

1.4 Project: Shaeffer Ranch – Jim Wells, Duvall and Live Oak Counties, Texas

Antares Energy executed a ground floor participation agreement in early February 2006 with San Isidro Development Company. Each party has funded 50% of the acquisition costs of a large 85 square mile (approximately 54,400 acre) 3D seismic survey in Duval, Jim Wells and Live Oak Counties, Texas. Antares Energy is responsible for the technical aspects of the seismic acquisition, processing and interpretation.

A very attractive fixed cost land option over approximately 50,000 acres of the most prospective land has been negotiated until January 2008. This will allow the joint venture to exclusively select any amount of acreage within the 50,000 acres to lease for drilling until January 2008 with a fixed and pre-determined lease bonus payment and royalty rate.

1.4.1 Project: Shaeffer Ranch, Prospect: Lonesome Dove, Well: Lonesome Dove-1 Antares Energy 50%, SIDC operator

The Lonesome Dove-1 well was spudded at 04:50 hrs on 4 December 2006 and was drilled to a final TD of 10,500 feet on 30 December 2006. The well has been suspended pending further work which could involve a re-entry and sidetrack or a re-completion in an overlying oil zone.

Despite a strong amplitude and AVO response there was no indication in the cuttings or on the wireline logs of any sandstones at the primary objective.

Whilst the overall seismic feature defining the greater Lonesome Dove prospect appears to comprise multiple channels distributed over a long but relatively narrow trend (400-1,000 ft wide as currently mapped), this type of depositional environment can typically have small, scattered non-reservoir areas located in between the channels. The 3D seismic resolution may be too spatially limited at this depth to discreetly image the channels, and the amplitude would probably extend across both reservoir and non-reservoir areas. Further work is currently required to integrate the well results into the 3D seismic.

The Shaeffer Ranch area contains as many as six independent proven hydrocarbon plays. This result at Lonesome Dove-1, though impacting what we considered to be one of the main plays, does not reduce the perceived prospectivity of the remaining play types.

1.5 Project: Kenedy Ranch – Kenedy County, Texas

Antares Energy signed a participation agreement in September 2005 with the Lamay Group, a consortium of private US companies, to participate in the exploration of 10,872 acres in Kenedy County, Texas. The acreage was selected from a recently reprocessed 170 sq mile 3D seismic survey.

The project is divided into two acreage groups. Santos USA is the operator of Group A, with a 55% working interest, the Lamay Group holds a 40% working interest with Antares having the remaining 5% working interest. Group A covers 7,087 acres and includes three initial prospects. The KMF 228-1 well was the first well to test the group A prospects.

Antares Energy and the Lamay Group each have a 50% working interest in Group B. Group B covers 3,785 acres. Three Group B prospects have been mapped using the 3D seismic and have estimated individual reserve potentials ranging from 30-120 Bcf. The primary objectives for these prospects are Deep Frio sands between 13,000-17,000 feet (3,950-5,200 metres).

1.5.1 Project: Kenedy Ranch, Prospect: Deep R, Well: KMF 228-1 Antares 5%, Santos operator

The KMF 228-1 well spudded on 3 April 2006 and reached the planned total depth of 18,200 feet on 25 June 2006. Five discreet sandstone sequences from 12,300 – 17,200 feet were penetrated with multiple zones exhibiting significant hydrocarbon shows, including flaring of gas at surface and positive wireline log indications.

Antares and Lamay are currently in the planning stages for performing a production test of the KMF well and preparing to drill another exploration well this year.

Santos is currently attempting to sell all their US interests including Kenedy Ranch.

1.6 Project: New Taiton – Wharton County, Texas

The New Taiton Prospect is located in Wharton County, Texas, approximately 100km southwest of Houston, and is a well-defined structural play targeting Wilcox Meek, B and C sands at a depth of 14,000 to 17,000 feet (4,270 metres to 5,180 metres). It is situated some 10km from, and on trend with, other existing fields which typically produce 5-7 BCF of gas per well from the same reservoirs being targeted at New Taiton.

The New Taiton prospect has mean potential reserves of 40 BCF of gas and an upside potential of 85-100 BCF depending on how many of the stacked sands contain gas. The prospect is a robust trap clearly defined by 3D seismic and exhibits strong seismic attributes that correspond with the mapped structural closure. A field of this magnitude is likely to require multiple wells.

1.6.1 Project: New Taiton, Prospect: New Taiton, Well: Ilse-1
Antares 25%, S. Lavon Evans Jr. Operating Company Operator

The Ilse-1 well spudded on 1 December 2006, however by 31 December 2006 the depth drilled was only 3,992 feet. The progress of the well to date has been slowed considerably by rig repairs and teething problems due to the recently refurbished nature of the rig. Importantly, the majority of the costs associated with these delays are absorbed by the rig contractor.

Surface casing was run and cemented to a depth of 2,998 feet and the well has currently drilled to a depth of 10,636 feet and ran and cemented the 9 $^5/_8$" casing.

The well will change over to an oil based mud system before drilling ahead to the proposed TD of 17,300 feet.

2. PRODUCTION AND DEVELOPMENT

2.1 Ellis County – Oklahoma

Antares Energy has elected to proactively market the Oklahoma properties as these are now not core to the future direction of the company. Initial interest will be canvassed at the North American Prospect Expo (NAPE) during early February 2007. PetroSales (Houston based) have been engaged to market the properties.

The three key producing wells continue to perform within expectations. Kelln Trust 5-1 is currently producing approximately 1.4 MMcf/d and 70-80 bbls of condensate per day. Ellis-1 and 4 are maintaining their production from the Morrow with slow and predicable decline. Ellis-2 is producing oil from the Des Moines but recent severe weather has been causing disruption to the pumping unit. Mewbourne has proposed a re-completion of Kelln 94-1 to the Tonkawa oil sand.

2.2 Texas

2.2.1 Porters Creek-1, Wharton County – Antares Energy (non-operator) 25%

The well has been put on compression and the average production rate is steady at 70-80 Mcf/d and 2-3 bbls condensate per day.

2.2.2 Wilbeck-1, Wharton County – Antares Energy (non-operator) 30%

The Wilbeck-1 well has been steadily producing since 29 October 2005 at an average rate of 75 Mcf/d.

3. NEW VENTURES

Antares Energy continues to pursue new exploration opportunities primarily in South Texas. Antares' general criteria are to pursue opportunities with greater than 5-10 BCF net reserve impact and sufficient acreage to expand the project in the success case. Further details of these initiatives will be the subject of future announcements in the near future.

4. CORPORATE

4.1 Convertible Notes

During the quarter the holders of 4,969,435 or 99.4% of the Company's 5,000,000 $2.00 convertible notes effectively elected to accept the reset terms of the notes for the next three years as announced by the Board on 13 September 2006. Five holders, holding a total of 30,565 notes elected to redeem their notes which occurred on 31 October 2006. As at the end of the quarter there were 4,969,535 notes on issue on the following key terms:

Interest Rate:	10% per annum (payable quarterly in arrears)
Conversion Rate:	1:1 (each note is convertible into one fully paid ordinary share)
Next reset date:	31 October 2009

Note that the maturity date for the notes is 31 October 2013.

A meeting of noteholders was held at 3pm yesterday at which a special resolution was passed to amend the convertible note trust deed to increase the maximum aggregate number of notes that may be issued under the deed from a face value of $10 million to $60 million.

4.2 Insurance Claim

Antares has made a claim against its insurer for the costs involved in the redrilling of the Harrison-1 well. The amount of the claim is likely to be in excess of US$1.5 million after deductibles. The insurer has not indicated there is any issue with payment of the claim.

4.3 Costs

General and administration costs have risen slightly during the six months since 30 June 2006 due to the increased activity involved in the preparation and drilling of four significant exploration wells in the US. There is a cashflow timing effect in the Appendix 5B report which reports approximately $140,000 of costs in the current quarter when the costs are in fact attributable to the prior quarter. Taking this into account, the costs for the current quarter are in line with the previous quarter.

For more information, images and updates, please refer to Antares' website at www.antaresenergy.com.

Howard McLaughlin

H.M. McLAUGHLIN
Managing Director

The information contained in this announcement as it relates to reserves is based on information compiled by Mr Howard McLaughlin AAPG, SEG, BSc.Geology who is the Managing Director of the Company, has more than five years experience and is a competent person as described in Listing Rule 5.11 of the ASX Listing Rules. The report accurately reflects the information compiled by Mr McLaughlin.

Appendix 5B
MINING EXPLORATION ENTITY QUARTERLY REPORT
ANTARES ENERGY LIMITED
ABN 75 009 230 835
For Quarter Ended 31 December 2006
(referred to in this Statement as the "Current Quarter")

CONSOLIDATED STATEMENT OF CASH FLOWS	Current Quarter $A'000	Year to Date (6 months) $A'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES		
1.1 Receipts from product sales and related debtors	637	1,260
1.2 Payments for: (a) exploration and evaluation	(8,379)	(13,659)
(b) development	-	(17)
(c) production	(167)	(275)
(d) administration	(743)	(1,232)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	279	732
1.5 Interest and other costs of finance paid	(251)	(503)
1.6 Income taxes paid	-	-
1.7 Other	-	-
NET OPERATING CASH FLOWS	**(8,624)**	**(13,694)**
CASH FLOWS RELATED TO INVESTING ACTIVITIES		
1.8 Payment for purchases of: (a) prospects	-	(267)
(b) equity investments	-	-
(c) other fixed assets	(35)	(58)
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 – Costs incurred in selling subsidiary – Amity Oil International Pty Ltd	-	-
NET INVESTING CASH FLOWS	**(35)**	**(325)**
1.13 Total operating and investing cash flows	**(8,659)**	**(14,019)**
CASH FLOWS RELATED TO FINANCING ACTIVITIES		
1.14 Proceeds from issues of shares, options etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	(61)	(61)
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other – share buy back	(2)	(21)
NET FINANCING CASH FLOWS	**(63)**	**(82)**
NET INCREASE (DECREASE) IN CASH HELD	***(8,722)***	***(14,101)***
1.20 Cash at beginning of quarter/year to date	28,151	33,909
1.21 Exchange rate adjustments to Item 1.20 above*	(1,131)	(1,510)
1.22 ***CASH AT END OF QUARTER***	**18,298**	**18,298**

* The majority of cash is held in USD, hence is subject to fluctuations in exchange rates when translating into Australian Dollars for reporting purposes.

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.	197
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

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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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FINANCING FACILITIES AVAILABLE

Add such notes as are necessary for an understanding of the position.

		Amount Available $A'000	Amount Used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit standby arrangements	Nil	Nil

ESTIMATED CASH OUTFLOWS FOR NEXT QUARTER

		$A'000
4.1	Exploration and evaluation	5,735
4.2	Development	296
TOTAL		6,031

RECONCILIATION OF CASH

Reconciliation of cash at the end of the quarter (as shown in the 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	357	1,338
5.2	Deposits at call	17,934	26,806
5.3	Share of Joint Venture Funds	7	7
5.4	Other – Bank Bills	-	-
TOTAL:	CASH AT END OF QUARTER (item 1.22)	18,298	28,151

CHANGES IN INTERESTS IN MINING TENEMENTS

	Tenement Reference	Nature of Interest	Interest at Beginning of Quarter	Working Interest at End of Quarter
6.1 Interests in mining permits relinquished, reduced and/or lapsed				
6.2 Interests in mining permits acquired and/or increased:	Texas – Victoria County Little Bear Project - 2,000 acres	Working interest in joint venture which holds leases	Nil	23.5%
	Texas – Wharton County New Taiton Project – 1,800 acres	Working interest in joint venture which holds leases	Nil	25.0%

ISSUED AND QUOTED SECURITIES AT END OF CURRENT QUARTER

	Category of Securities	Number Issued	Number Quoted	Issue Price Per Security	Amount Paid Up
7.1	PREFERENCE SECURITIES:	Nil			
7.2	Issued during current quarter:	Nil			
7.3	ORDINARY SECURITIES:	158,500,000	158,500,000	-	fully paid
7.4	a) Issued during current quarter:	3,750	3,750	Nil	fully paid
	b) Bought back during current quarter	3,750	3,750	$0.432	fully paid
7.5	CONVERTIBLE DEBT SECURITIES:	4,969,435	4,969,435	$2.00	fully paid
7.6	a) Issued during current quarter:	Nil			
	b) Redeemed during the quarter	30,565	30,565	$2.00	fully paid
				Exercise Price	**Expiry Date**
7.7	OPTIONS: For ordinary fully paid securities				
		100,000	Nil	$1.22	24.01.2007
		170,000	Nil	$1.22	23.04.2007
		1,500,000	Nil	$1.35	1.07.2007
		25,000	Nil	$1.22	30.07.2007
		205,000	Nil	$1.22	12.12.2007
		275,000	Nil	$1.22	13.07.2008
7.8	Issued during current quarter:	Nil			
7.9	Exercised during current quarter	Nil			
7.10	Expired/lapsed during current quarter	400,000	Nil	$1.22	11.11.2006
		315,000	Nil	$1.22	20.12.2006
		16,667	Nil	$1.22	12.12.2007
7.11	DEBENTURES - Totals only:	Nil			
7.12	UNSECURED NOTES - Totals only:	Nil			
7.13	PERFORMANCE RIGHTS*:	2,325,000	Nil	Nil	12.01.2010
		493,750	Nil	Nil	6.10.2010
		100,000	Nil	Nil	9.01.2011
		187,500	Nil	Nil	4.05.2011
7.14	a) Issued during current quarter:	Nil	Nil	Nil	
	b) Exercised during current quarter	Nil	Nil	Nil	
	c) Expired/lapsed during current quarter	77,500	Nil	Nil	12.01.2010
		38,750	Nil	Nil	9.01.2011

* Issued under the Performance Rights Plan approved by shareholders at the AGM on 23 November 2004.

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 4).

2 This statement does /~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: ______________________ Date: 31 January 2007
(Director/Company secretary)

Print name: DAVID JAMES RICH

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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** - ASX will accept, for example, the use of International Accounting 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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