ANTARES ENERGY

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ASX/NEWS RELEASE

16 March 2007

RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2006

Key Points for the six months to 31 December 2006:

- **$13 million in expenditure on exploration as new projects are acquired and drilling commences on four key exploration wells;**
- **Net loss after tax of $2.9 million and neutral operating cashflow;**
- **Change of financial year end to 31 December; and**
- **$9.94 million (99.4%) of convertible notes reset on equivalent terms as previous.**

Regarding the results for the period, Mr. Howard McLaughlin, Managing Director of Antares said:

"During the six months to 31 December 2006 Antares Energy added new projects and progressed its existing projects significantly, resulting in four exploration wells commencing on four separate projects by 31 December 2006. Two of these four have already been declared discoveries and development is underway.

Our operating result for the period was essentially neutral with revenue, principally from the Oklahoma properties, covering our cash operating and general expenses. We expect our operating results and cashflow to increase significantly once the recent discoveries are brought into production."

Result for the Period - Discussion and Analysis

The period to 31 December 2006 was principally devoted to building the exploration portfolio and preparing for drilling a number of critical test wells. New high-impact opportunities were also added such as Oyster Creek, Little Bear, and Yellow Rose.

Our first deep well was drilled on the Kenedy Ranch project, operated by Santos, which is currently suspended as a potential gas well. Santos elected not to participate in the completion of this well and have elected to withdraw from the United States altogether. LaMay and Antares are reviewing the options for testing the KMF 228-1 well in addition to planning a second well for later in the year.

A large 85 sq mile seismic survey was acquired over the Shaeffer Range acreage which has resulted in the confirmation of a significant Wilcox prospect as well as a number of shallow objectives. The Lonesome Dove-1 well was drilled to test a new play in the area but failed to encounter a reservoir unit.

Drilling commenced at Oyster Creek with Harrison-1 and New Taiton with Ilse-1. Whilst Ilse-1 is still drilling, Harrison-1 was declared a discovery and has tested gas from two separate zones at a combined rate of 5 MMcf/d. A second well on the Oyster Creek project, Scott-2, was drilled on an adjacent fault block to Harrison-1 and is also believed to be a discovery. Testing will commence after the testing at Harrison-1 is completed.

Our most exciting well was Garcitas Ranch C-1 on our Little Bear project. This well has discovered significant gas bearing sandstones in the Upper Wilcox and Meek sandstones well above initial expectations. A testing program will start shortly. With enough confidence in the project as a result of the first well, a second appraisal well, Garcitas Ranch C-2, has already spudded.

Production from the USA assets has stayed relatively flat over the year but as the new discoveries are brought on stream the production is expected to increase significantly. For the period to 31 December 2006 revenue from production was sufficient to virtually cover all of the Company's cash costs for general and administration expenses.

With most of its cash reserves held in USD, the Company is susceptible to unrealised foreign exchange gains and loses due to fluctuations in the AUD:USD exchange rate. During the six months to 31 December 2006 the AUD:USD exchange rate moved significantly resulting in an unrealised foreign exchange loss of $1.6 million being recorded for the period.

Exploration and development expenditure in the USA totalled $13 million over the six month period to 31 December 2006. Significant items included in this figure were the acquisition of leases and options over land in the Kenedy Ranch, Shaeffer Ranch and Oyster Creek projects, 85 square miles of 3D seismic in the Shaeffer Ranch project and the drilling of Harrison-1, Ilse-1, Lonesome Dove-1 and Garcitas Ranch C-1.

During the period the Company sought and received approval from ASIC to change its year end to 31 December with the first year end being 31 December 2006. As required, the comparative figures for the six months to 31 December 2006 are the 12 months to 30 June 2006.

Likely Developments and Results

Exploration

As at the date of this report the Company is involved in four significant exploration projects being Shaeffer Ranch, Kenedy Ranch, New Taiton and Yellow Rose. All four are located in south Texas. The company has planned to drill exploration wells during 2007 to test key targets within the Shaeffer Ranch and Kenedy Ranch projects. As at the date of this report the first well on the New Taiton project is at 17,000 feet. In addition to this, seismic acquisition is about to commence over the Yellow Rose project and depending on the results of the seismic processing and interpretation, it is expected that exploration wells will be drilled on this project in late 2007 or 2008.

Results from the abovementioned exploration wells will drive any development expenditure for items such as appraisal and development wells, surface facilities and pipelines. Production volumes and revenues will be driven by the results of the exploration program.

In addition to the projects above and in the development phase, the Consolidated Entity continues to run an active new ventures program and it is likely that new projects will be entered into over the course of the coming financial year.

Development

As at the date of this report the Company is involved in two significant development projects being Garcitas Ranch and Oyster Creek. After initial discoveries on these two projects in early 2007 the company has already drilled a follow-up well on the Oyster Creek project (Scott-2) which is also a discovery and there is the possibility of at least two further wells on this project in the future. Planning is currently underway for the building of a pipeline to the nearest sales line and production is expected to commence in the second quarter of 2007.

The first development well on the Garcitas Ranch project (Garcitas Ranch C-2) commenced on 6 March 2007 and is currently drilling ahead. The Garcitas Ranch prospect has two producing zones and development of the discovery could entail in excess of eight development wells.

Divestment

The Consolidated Entity has elected to proactively market its Oklahoma properties as these are now not core to the future direction of the company. The sale process commenced at the North American Prospect Expo (NAPE) during early February 2007. The Oklahoma properties include the Ellis and Yukon projects which have several producing wells and an acreage position in north-east Oklahoma. Proceeds from the sale will be used to fund the south Texas exploration and development.

Annual General Meeting

Antares' annual general meeting will be held at 3pm, Monday, 7 May 2007 on Level 31, Allendale Square, 77 St George's Terrace, Perth, Western Australia.

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.

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For more information: www.antaresenergy.com

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

ANNUAL REPORT
FOR THE SIX MONTHS ENDED
31 DECEMBER 2006

ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

COMPANY DIRECTORY

DIRECTORS:
Richard Elliott, Non-Executive Chairman
Fraser Campbell, Non-Executive Director
William Hassell, Non-Executive Director
Howard McLaughlin, Managing Director & Chief Executive Officer
James Cruickshank, Executive Director

COMPANY SECRETARY:
David Rich

REGISTERED OFFICE:
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Website: www.antaresenergy.com

AUDITORS:
Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000

SOLICITORS:
Allens Arthur Robinson
Level 37, QV.1
250 St Georges Terrace
Perth WA 6000

BANKERS:
Bank of Western Australia Ltd
1215 Hay Street
West Perth, WA, 6005

SHARE REGISTRY:
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone: + 61 (0) 8 9315 2333
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ANTARES ENERGY LIMITED AND CONTROLLED ENTITIES

ABN 75 009 230 835

CONTENTS

DIRECTORS' REPORT

The directors of Antares Energy Limited ("Antares" or "the Company") present their report and the financial report of Antares and the entities it controlled ("the Consolidated Entity") at the end of, or during the six months ended 31 December 2006.

1. DIRECTORS

The directors in office at any time during the six months to 31 December 2006 and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Richard Alden Elliott, BS(Hons) MS, MAICD - Non-Executive Chairman.

Appointed 6 July 2001. Mr Elliott is a member of AAPG (American Association of Petroleum Geologists) and the AICD (Australian Institute of Company Directors). Mr Elliott worked for Gulf Oil Corporation for six years and then Occidental Petroleum for 13 years where he was a Regional Exploration Manager before becoming Managing Director of Australian Occidental Petroleum. During his stewardship, Australian Occidental discovered the Jabiru, Challis, Harriet and Blina oil fields. After leaving Occidental he was principal of a resource consultancy firm in Western Australia and spent 6 years as Consultant to the Premier of Western Australia. Mr Elliott was a director of Arc Energy Limited from July 1998 to November 2003. Mr. Elliott is Chairman of the Nomination Committee and is a member of the Audit and Compliance and Remuneration Committees. During the past three years Mr. Elliott was a non-executive director of Hire Intelligence International Limited (retired November 2004).

Fraser David Campbell, MA, MSc - Non-Executive Director.

Appointed 26 March 2002. Mr. Campbell was formerly General Manager Australasia for the Bank of Scotland and brings to the Company a wealth of experience and strong associations with international corporate finance. He was elected a Fellow of the Institute of Bankers in 1998. Mr. Campbell is Chairman of the Remuneration Committee and a member of the Audit and Compliance and Nomination Committees. Mr. Campbell was a director of JDV Limited until 27 September 2005 but has held no other public company directorships during the past three years.

William Ralph Boucher Hassell A.M., J.P., LL.B., M.A, MAICD - Non-Executive Director.

Appointed 3 September 2004. Mr. Hassell is a qualified lawyer and a former State Member of Parliament, State Minister of the Crown and State Opposition Leader. Mr. Hassell's commercial experience includes property and commercial legal work, consulting work and directorships of public and private companies. Until December 2005 and within the last three years he was a director and latterly Chairman of Hire Intelligence International Limited. Mr. Hassell has also represented Western Australia as Agent General in Britain and Europe. Mr. Hassell is a member of the Australian Institute of Company Directors and the Honorary Consul for the Federal Republic of Germany in Western Australia. He is a member of the Industry Research and Development Board (Commonwealth), Chairman of its Automotive Committee, a part-time member of the Superannuation Complaints Tribunal (Commonwealth) and partner in a small private consultancy. He undertakes significant charitable and voluntary work. Mr. Hassell is Chairman of the Audit and Compliance Committee and a member of the Remuneration and Nomination committees of Antares Energy Limited.

Howard Mark McLaughlin, B.Sc. Geology - Managing Director & Chief Executive Officer.

Appointed 29 July 2003. Mr. McLaughlin has over 29 years experience in the petroleum industry, with 19 years working with BHPBilliton Petroleum. Mr. McLaughlin's most recent position prior to Antares was as Vice President Global Exploration, based in Houston Texas, where he had overall stewardship of BHPBilliton Petroleum's global oil and gas exploration businesses. Prior to joining BHPBilliton in 1983, he worked for ESSO Resources Canada Ltd for 6 years in Calgary, Alberta. Mr. McLaughlin's extensive international background has focused on exploration, appraisal and business development, and in addition he has held key roles in marketing and strategic planning. Mr. McLaughlin is a member of the Nomination Committee. Mr. McLaughlin has held no other public company directorships during the last three years.

James Andrew Cruickshank, B.Com, GDipAppnFin, GAICD, ASA, F.Fin – Executive Director.

Appointed 8 October 2004. Mr Cruickshank has 18 years of commercial experience in Commercial Banking and Equity Markets. In addition, Mr Cruickshank has served overseas with the Royal Australian Regiment of the Australian Armed Forces as a result of being a graduate of The Royal Military College Duntroon where he was awarded the Leadership Award. Mr Cruickshank is a graduate of the University of Canberra with a Bachelor of Commerce with a double major in Banking & Finance and Accounting as well as holding a Graduate Diploma in Applied Finance with a major in Investment Analysis from the Securities Institute of Australia. Mr Cruickshank is a Graduate of the Australian Institute of Company Directors Diploma qualification. Mr Cruickshank has completed Advanced Certificates at the University of New South Wales, School of Petroleum Engineering, concerning the Oil & Gas Industry and the Australasian Investor Relations Association concerning Advanced Investor Relations. Mr Cruickshank is a member of CPA Australia and a Fellow of the Financial Services Institute of Australasia. Mr. Cruickshank is a member of the Nomination Committee. Mr. Cruickshank has held no other public company directorships during the last three years.

COMPANY SECRETARY

David James Rich B.Com, CA, Grad.Dip.CSP, ACIS

Appointed 8 July 2002. Mr. Rich is a Chartered Accountant and a Chartered Secretary with over 20 years of commercial and business experience. Mr. Rich worked for KPMG for over four years before moving into commerce in 1991. Since then, Mr. Rich has held a number of senior financial, secretarial and management positions, mostly in listed companies. In particular Mr Rich has experience in managing companies with international operations and companies in a growth stage of development.

DIRECTORS' REPORT (Cont.)

At the date of this report, the directors' share and option holdings and relevant interests therein were:

Name of Director	Fully Paid Ordinary Shares	Convertible Notes	Unlisted Options	Performance Rights
R.A. Elliott	2,500,000	547,112	-	-
F.D. Campbell	125,000	-	-	-
W.R.B. Hassell	190,000	15,000	-	-
H.M. McLaughlin	1,230,000	24,060	1,500,000	500,000
J.A. Cruickshank	6,389,500	-	-	300,000

During the six months to 31 December 2006 seven directors' meetings were held. The number of meetings attended by each director and the number of meetings held during each director's term of office during the financial year are shown below.

	Board of Directors' Meetings		Remuneration Committee Meetings		Audit and Compliance Committee Meetings		Nomination Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
R.A. Elliott	7	7	-	-	2	2	1	1
F.D. Campbell	7	7	-	-	2	2	1	1
W.R.B. Hassell	7	7	-	-	2	2	1	1
H.M. McLaughlin	7	7	-	-	-	-	1	1
J.A. Cruickshank	7	7	-	-	-	-	1	1

Remuneration Committee

Throughout the six months to 31 December 2006, the Remuneration Committee was comprised of Messrs Campbell (Chairman), Elliott and Hassell.

Audit and Compliance Committee

Throughout the six months to 31 December 2006, the Audit and Compliance Committee was comprised of Messrs Hassell (Chairman), Elliott and Campbell.

Nomination Committee

Throughout the six months to 31 December 2006, the Nomination Committee was comprised of Messrs Elliott (Chairman), Campbell, Cruickshank, Hassell and McLaughlin.

2. PRINCIPAL ACTIVITIES

The principal activities of the entities within the Consolidated Entity during the financial year were hydrocarbon production and exploration in the United States of America.

3. FINANCIAL RESULTS

The net loss after income tax of the Consolidated Entity for the six months ended 31 December 2006 totalled $2,896,000 (year ended 30 June 2006: profit of $5,547,000). This is equivalent to a loss of 1.8 cents per share (year ended 30 June 2006: profit of 3.5 cents per share). The loss from continuing operations also equates to a loss of 1.8 cents per share (year ended 30 June 2006: loss of 9.5 cents per share).

4. DIVIDEND

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of dividend since the end of the previous financial year, or to the date of this report.

5. SHARE OPTIONS

During the six months to 31 December 2006 and since 31 December 2006 no fully paid ordinary shares have been issued as a result of the exercising of options.

At the date of this report, the Company has 2,175,000 options for ordinary fully paid shares on issue as follows:

Number of Options		Exercise Price	Expiry Date
170,000	- unlisted	$1.22	23 April 2007
1,500,000	- unlisted	$1.35	1 July 2007
25,000	- unlisted	$1.22	30 July 2007
205,000	- unlisted	$1.22	12 December 2007
275,000	- unlisted	$1.22	13 July 2008
2,175,000			

Since 31 December 2006 and to the date of this report no options have been issued and 100,000 options exercisable at $1.22 expired unexercised on 24 January 2007. Refer to Notes 16 and 28 of the financial statements for more details.

DIRECTORS' REPORT (Cont.)

Optionholders do not have any right by virtue of the option, to participate in any share issue of the Company or any related body corporate.

6. CORPORATE STRUCTURE

Antares Energy Limited is a company limited by shares that is incorporated and domiciled in Australia.

7. OPERATING AND FINANCIAL REVIEW

Overview of the Consolidated Entity

Antares Energy Limited was listed on the Australian Stock Exchange in 1994 as Amity Oil Limited. In 1999, after a period of predominantly local exploring in Australia the Company took an opportunity to drill an exploration well in Turkey. This Gocerler-1 well was a discovery and from this success the Company built a strong upstream production and exploration asset in Turkey in joint venture with TPAO, the Turkish state oil company.

In 2003/4 the Company expanded its strategy beyond Turkey and Australia to the USA. The Company set up an operations office in Dallas, Texas to be the primary driver of new exploration opportunities. The Company's first wells in the USA programme were spudded in late 2004 and were producing within 12 months from the commencement of the Company's operations in the USA.

During early 2005 the Company received strong interest from companies seeking to invest in the upstream oil and gas industry in Turkey. Following negotiations, in August 2005 the Company signed an agreement with Zorlu Petrogas for the sale of Amity Oil International Pty Ltd, the Company's wholly owned subsidiary which held all of the Company's Turkish assets. The consideration for the sale was USD 40.4 million which included USD 9.8 million of working capital. The sale completed on 28 October 2005.

The company also divested or relinquished all its exploration interests in Australia.

The Company's sole geographical focus at present is the USA and proceeds from the sale of the Turkish subsidiary have been, and will continue to be, used to fund the Company's ongoing business activities of exploration, development and operation of oil and gas assets in the USA. Presently the Company is involved in two development projects and four exploration projects in south Texas.

The Company also owns an exploration and development project in Oklahoma which it is currently looking to divest. A sales process is underway.

Performance Indicators

The Board and management team establish and approve the direction of the Company by discussing and preparing strategic plans and annual budgets. The key performance indicators identified from the plans and budgets are used to monitor performance. Management monitor the key performance indicators on a regular basis and the Board receive the key performance indicators for review prior to each board meeting allowing directors to actively monitor performance.

Dynamics of the Business

In the USA gas prices have remained high over the year primarily due to an increase in gas demand over supply. Gas prices are now trading between USD 6.50-9.00 per Mcf.

Sustained high oil and gas prices have both increased the number of competitors as well as the number of active drilling rigs. The company has been aggressively seeking high quality opportunities as well as developing in-house prospects throughout the year. This has reinforced the Company's strategy of maintaining a strong technical presence in Texas, to ensure that it can evaluate new prospects in a competent and timely manner and closely monitor our exploration activity. This is seen as a significant competitive advantage.

High levels of activity in the industry over the past three years have resulted in strong demand for resources and services, including staff, seismic crews and drilling equipment. Delays in rig availability meant that the Company was not able to drill as many wells as it would have liked during the year. In the past few months there has been an apparent easing of the scarcity of equipment and daily costs are slowly trending back to a normal level. This is excellent timing for Antares as we plan to participate in a large number of appraisal and development wells on our successful projects over the next 12 months.

Operating Results for the Period

		6 months to 31 December 2006	12 months to 30 June 2006
Production (BCFe)	- USA	0.2	0.2
	- Turkey	-	0.9
Production ('000 BOE)	- USA	30	28
	- Turkey	-	157
Sales revenue ($mil.)	- USA	1.2	1.5
	- Turkey	-	7.7
Net profit/(loss) after tax from continuing operations ($mil.)		(2.9)	(15.2)
Net profit after tax from discontinued operations ($mil.)		-	3.3
Net profit after tax on sale of discontinued operation ($mil.)		-	17.4
Overall net profit/(loss) after tax ($mil.)		(2.9)	5.5
Operating cashflow ($mil.)		-	1.3

DIRECTORS' REPORT (Cont.)

The period was principally devoted to building the exploration portfolio and preparing for drilling a number of critical test wells. New high-impact opportunities were also added such as Oyster Creek, Little Bear and Yellow Rose.

Our first deep well was drilled on the Kenedy Ranch project, operated by Santos, which is currently suspended as a potential gas well. Santos elected not to participate in the completion of this well and have elected to withdraw from the United States altogether. LaMay and Antares are reviewing the options for testing the KMF 228-1 well in addition to planning a second well for mid year.

A large 85 sq mile seismic survey was acquired over the Shaeffer Ranch acreage which has resulted in the confirmation of a significant Wilcox prospect as well as a number of shallow objectives. The Lonesome Dove-1 well was drilled to test a new play in the area but failed to encounter a reservoir unit.

Drilling commenced at Oyster Creek with Harrison-1 and New Taiton with Ilse-1. Whilst Ilse-1 is still drilling, Harrison-1 was declared a discovery. Production testing to date indicates that the initial production will be in line with expectations.. A second well on the Oyster Creek project, Scott-2, was drilled on an adjacent fault block to Harrison-1 and is also believed to be a discovery. Testing will commence after the testing at Harrison-1 is completed.

Our most exciting well was Garcitas Ranch C-1 on our Little Bear project. This well has discovered significant gas bearing sandstones in the Upper Wilcox and Meek sandstones well above initial expectations. A testing program will start shortly. With enough confidence in the project as a result of the first well, a second appraisal well, Garcitas Ranch C-2, has already spudded.

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Exploration and development expenditure in the USA totalled $13 million over the six month period to 31 December 2006. Significant items included in this figure were the acquisition of leases and options over land in the Kenedy Ranch, Shaeffer Ranch and Oyster Creek projects, 85 square miles of 3D seismic in the Shaeffer Ranch project and the drilling of Harrison-1, Ilse-1, Lonesome Dove-1 and Garcitas Ranch C-1.

Shareholder Returns

The following table shows the last five years financial performance against shareholder returns as measured by the closing share price at 30 June each year (31 December 2006 for the current six month period).

	6 months to 31 Dec 2006	12 months to 30 June 2006	12 months to 30 June 2005	12 months to 30 June 2004	12 months to 30 June 2003	12 months to 30 June 2002
Sales revenue ($'million)	1.2	9.2	23.1	20.6	15.5	2.1
Net profit/(loss) after tax ($'million)	(2.9)	5.5	0.7	(8.3)	0.3	(6.7)
Basic EPS (cents)	(1.8)	3.5	0.4	(5.2)	0.2	(6.1)
Closing period end share price ($)	0.71	0.39	0.44	0.63	1.16	0.71

Notes:

1. 31 December 2006, 30 June 2006 and 2005 net profit after tax and EPS are reported under AIFRS accounting standards whereas 2004, 2003 and 2002 are reported under the AGAAP accounting standards in effect at the time.
2. No dividends were paid at any time over the last five years.
3. In the six months to 31 December 2006 the Company bought back 53,750 shares on-market at an average price of $0.3883. In the 12 months to 30 June 2006, the Company bought back 2,437,087 shares on-market at an average price of $0.399.
4. Sales revenue, net profit after tax and EPS include discontinued operations.

Strategy and Investments for Future Performance

The Company is an onshore USA petroleum exploration & production company. Its geographical focus within the USA is currently south Texas gas and oil plays. Management has assembled a strong technical team based in Dallas, Texas and the corporate head office remains in Perth, Western Australia.

The Company has a clear strategy to achieve profitability and reserves growth through petroleum exploration, targeting medium to deep high impact conventional gas plays such as the Wilcox, Frio, Queen City, Yegua and Edwards Limestone sands onshore in south Texas. The Company now has two discoveries which it is developing and still has several high-impact prospects to test from its exploration portfolio. The Company had $18.3 million in cash reserves at 31 December 2006 (with no bank debt) and has since raised a further $6.2 million with which to fund the exploration and development programs. The forward program will involve both operated and non-operated ventures.

The Company seeks to continue to maintain a balanced exploration portfolio at all times. The Company will continue its new ventures strategy in order to add new projects to the portfolio as existing projects are drilled and move out of the exploration phase. In order to maintain the balance, the Company will modify its working interest in projects in order to suit the predetermined criteria set by the Board. The Company's strategic criteria for evaluating new projects is as follows:

a) Each project will have a net un-risked impact to Antares greater than 5-10 BCF;

b) Targeting conventional reservoirs at depths between 8,000-18,000 feet;

c) Close Proximity to known fairways and existing productive fields;

d) 3D seismic and other scientific tools are utilised to lower technical risk;

e) Net exposure per well of USD 1 - 2.5 million;

f) Technical probability of success 20% - 50%; and

g) Experienced operators and partners with solid reputations.

DIRECTORS' REPORT (Cont.)

As at the date of this report the Company has two development projects, being Little Bear and Oyster Creek and four significant exploration projects being Shaeffer Ranch, Kenedy Ranch, New Taiton and Yellow Rose. All these projects are onshore in south Texas.

In late October 2006 following a project review and strategy meeting in Dallas, the Board agreed to a management recommendation to sell the Consolidated Entity's Oklahoma properties as these were now not core to the future direction of the company. The sale process then commenced with data preparation and arrangement and the appointment of a selling agent. At 31 December 2006 the assets were classified as non-current assets held for sale. The first external marketing of the assets was at the North American Prospect Expo (NAPE) during early February 2007. The Oklahoma properties include the Ellis and Yukon projects which have several producing wells and an acreage position in north-east Oklahoma. Proceeds from the sale will be used to fund the south Texas exploration and development.

8. ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity is a party to various exploration and development licences or permits in the country in which it operates. In most cases, these contracts and licences specify the environmental regulations applicable to oil and gas operations in the respective jurisdictions. The Consolidated Entity aims to ensure that it complies with the identified regulatory requirements in each jurisdiction in which it operates. There have been no significant known breaches of the environmental obligations of the Consolidated Entity's licences.

9. REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for directors and executives of the Company. The information contained in the Remuneration Report has been audited.

The Company is taking advantage of relief available under Corporations Regulation 2M.6.04 which exempts listed companies from providing remuneration disclosures in their annual financial report, as required by paragraphs AUS 25.4 to AUS 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

9.1 Remuneration policies

The Remuneration Committee is responsible for making recommendations to the Board on remuneration policies applicable to directors and executives of the Company.

Further details of the Company's remuneration policy and practices are included in the Corporate Governance Statement on page 13.

Remuneration levels for directors, senior executives of the Company, and relevant executives of the Consolidated Entity ("the directors and senior executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The remuneration committee evaluates the appropriateness of remuneration packages given trends in comparative companies and the objectives of the Company's remuneration strategy.

The remuneration structures explained below are designed to attract suitable qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives;
- the ability of directors and senior executives to control the performance of the relevant area of responsibility;
- the performance of the Consolidated Entity including:
  - the success of exploration and production operations;
  - the Consolidated Entity's earnings; and
  - the growth in share price and returns to shareholders; and
- the amount of incentives within each executive's remuneration

Remuneration packages typically include a mix of fixed and variable remuneration and short and long-term performance-based incentives.

9.2 Managing director and executives

Fixed remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits), as well as employer contributions to superannuation funds.

Remuneration levels are reviewed annually by the remuneration committee through a process that considers individual, segment and overall performance of the Consolidated Entity. A review of externally provided remuneration data is conducted to ensure the managing director's and the executives' remuneration is competitive in the market place. A senior executive's remuneration is also reviewed on promotion.

Variable remuneration

Variable remuneration is designed to reward the managing director and senior executives for meeting or exceeding financial, operational and/or individual objectives or expectations. Those incentives are an "at risk" bonus provided in the form of cash and/or performance rights. Previously such remuneration had also taken the form of options over ordinary shares in the Company.

Each year, as part of the strategic plan, the board sets the KPI's (key performance indicators) for the Company. The KPI's take into consideration shareholder, operational and financial measures.

DIRECTORS' REPORT (Cont.)

Performance Rights

Any performance rights granted are issued under the Performance Rights Plan as approved by shareholders at the annual general meeting held on 23 November 2004. The Board formulated the Performance Rights Plan to align the long-term creation of value for shareholders with rewards to employees, including executive directors. Non-executives are not entitled to participate in this Plan.

Under the plan the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights.

The unvested performance rights on issue at 31 December 2006 were dependent on performance hurdles and service conditions and were to vest 33.33% on 31 December 2006 and 66.67% on 31 December 2007. The test date for vesting is around March of the following year, hence as at 31 December 2006 the 31 December 2006 vesting had not yet been determined.

On 26 February 2007 the Board of Antares Energy Limited announced that it had determined that for the year ended 31 December 2006, 33% of the performance rights available for vesting at 31 December 2006 had vested as a result of performance hurdles being met.

A total of 1,028,333 performance rights were eligible for vesting in relation to Company performance for the year ended 31 December 2006. As a result of the Board's determination, on 26 February 2007 339,350 performance rights vested and 688,983 lapsed.

The financial effect of the 26 February 2007 vesting is included in the share based payments expense to 31 December 2006.

The current unvested rights on issue at the date of this report are dependent on performance hurdles and service conditions and will vest on 31 December 2007. The test date for vesting is around March of the following year.

The performance hurdles are as follows:

		Hurdle Weighting
i)	Market capitalisation	20%
ii)	Hydrocarbon production	25%
iii)	Hydrocarbon reserves replacement	25%
iv)	Finding and development costs	10%
v)	Earnings before interest, tax, depreciation, amortisation and exploration write-offs (EBITDAX)	10%
vi)	Comparison of percentage growth in market capitalisation per annum with peer group of eight companies*	10%
		100%

*The peer group comprises of:Arc Energy (ASX: ARQ), Amadeus Energy (ASX: AMU), Tomahawk (ASX: THK), Mosaic Oil (ASX: MOS), Petsec Energy (ASX: PSA), Roc Oil (ASX: ROC), Tap Oil (ASX: TAP) and Carrizo Oil and Gas (NASDAQNM: CRZO).

There was no movement (including grants) in performance rights held by key management personnel during the six months to 31 December 2006. In the prior year to 30 June 2006, 100,000 performance rights were granted to D.J. Rich. These performance rights were granted on 9 January 2006 with a first exercise date of approximately 31 March 2007, a last exercise date on 9 January 2011 and the value per right at the date of grant was $0.35. The holdings as at 1 July 2006 and 31 December 2006 are as follows (key management personnel are as set out in Note 28 of the financial statements):

Performance Rights holdings of Directors and Executives

	Total Number of Unvested Rights on Issue				Total Number of Vested Rights on Issue			
	As at 1 July 2006 and 31 December 2006	Vested on 26 February 2007	Lapsed on 26 February 2007	As at the date of this report	As at 1 July 2006 and 31 December 2006	Vested on 26 February 2007	Exercised since 31 December 2006	As at 1 July 2006 and 31 December 2006
Directors								
H.M. McLaughlin	750,000	82,500	167,500	500,000	-	82,500	(82,500)	-
J.A. Cruickshank	450,000	49,500	100,500	300,000	-	49,500	(49,500)	-
Executives								
D.J. Rich	550,000	60,500	122,833	366,667	-	60,500	(60,500)	-
D.M. Scull	450,000	49,500	100,500	300,000	15,000	49,500	-	64,500
Total:	2,200,000	242,000	491,333	1,466,667	15,000	242,000	(192,500)	64,500

Options

No options were granted to directors or executives during the six months to 31 December 2006. The following table outlines options held by directors and executives during the year.

DIRECTORS' REPORT (Cont.)

Option holdings of directors and executives

	Exercise Price	Balance at beginning of period 1 July 2006	Options Exercised	Options Lapsed	Net change Other	Balance at end of period 31 Dec 2006	Vested at 31 Dec 2006* Total
Directors							
F.D. Campbell	$1.22	400,000	-	(400,000)	-	-	-
H.M. McLaughlin	$1.35	1,500,000	-	-	-	1,500,000	1,500,000
Executives							
D.J. Rich	$1.22	375,000	-	(275,000)	-	100,000	100,000
D.M. Scull	$1.22	275,000	-	-	-	275,000	183,333
Total		2,550,000	-	(675,000)	-	1,875,000	1,783,333

* All options vested at 31 December 2006 are exercisable.

There were no remuneration options exercised during the six months to 31 December 2006 or the year to 30 June 2006. All options that lapsed during the six months to 31 December 2006 had exercise prices in excess of the share price at the time of lapsing and hence had no value at the time of lapsing.

Cash Bonus

Where an executive has performed at a level beyond that which would normally be required in his role or achieved an outcome beyond expectations, either over a period of time or on a specific task, the remuneration committee may, in its absolute discretion, recommend that the Board grant a cash bonus to the individual or individuals.

Other benefits

Other than the provision of car parking, no other benefits are provided to directors or senior executives.

Employment Contracts

It is the Consolidated Entity's policy that employment agreements for senior executives, excluding the Chief Executive Officer, are unlimited in term but capable of termination with between one and three months notice and that the Consolidated Entity retains the right to terminate the contract immediately, by making payment in lieu of notice.

The Consolidated Entity has entered into an unlimited term employment agreement with each senior executive, excluding the Chief Executive Officer. The employment agreement outlines the components of remuneration paid to the executives but does not prescribe how remuneration levels are modified year to year. Remuneration levels are reviewed each year to take into account cost-of-living changes, any change in the scope of the role performed by the executive and any changes required to meet the principles of the remuneration policy.

The Chief Executive Officer is the only executive with a fixed term employment agreement. The employment agreement with the Chief Executive Officer, Mr Howard McLaughlin, expires on 30 June 2008. Under the terms of the employment agreement the Company may terminate the agreement (other than for cause) by providing an amount equivalent to the greater of 12 months notice or the balance of the term. In the case of such termination:

a) all of the Chief Executive's remaining 500,000 unvested performance rights will vest and must be exercised before the earlier of 12 January 2010 and 3 months (or such other period as the Board shall, in its absolute discretion, determine) from the date on which employment ceases; and

b) all of the Chief Executive Officer's 1,500,000 options exercisable at $1.35 will be exercisable prior to their last exercise date of 1 July 2007.

The Chief Executive Officer may terminate the agreement by giving three months notice. Upon termination by the Chief Executive Officer, unvested options and performance rights will expire immediately and vested options and performance rights will expire three months after termination. As at 31 December 2006, there are no other fixed term employment agreements.

9.3 Non-executive directors

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2002 AGM, is not to exceed $250,000 per annum. Fees are set based on a review of externally provided remuneration data with reference to fees paid to other non-executive directors of comparable companies.

Non-executive directors do not receive any retirement benefits other than statutory requirements.

DIRECTORS' REPORT (Cont.)

9.4 Directors' and executive officers' remuneration

The following table sets out the remuneration of directors and executives of the Company and Consolidated Entity during the reporting period.

	Short-Term			Post Employment	Share-Based Payments		Total	Total Performance Related
Six Months to 31 Dec 2006	Salary & Fees	Cash Bonus	Non Monetary Benefits	Superannuation	Options (i)	Performance Rights (ii)		
Directors								
R.A. Elliott	30,000	-	-	2,700	-	-	32,700	-
F.D. Campbell	19,075	-	-	-	-	-	19,075	-
W.R.B. Hassell	17,500	-	-	1,575	-	-	19,075	-
H.M. McLaughlin	188,657	-	-	6,343	76,167	36,869	308,036	36.70%
J.A. Cruickshank	111,930	-	565	6,343	-	22,121	140,959	15.69%
Total	367,162	-	565	16,961	76,167	58,990	519,845	
Executives								
D.J. Rich	122,930	-	566	6,343	2,278	27,361	159,478	18.59%
D.M. Scull	124,378	-	4,628	-	15,660	22,121	166,787	22.65%
Total	247,308	-	5,194	6,343	17,938	49,482	326,265	

	Short-Term			Post Employment	Share-Based Payments		Total	Total Performance Related
Year to 30 June 2006	Salary & Fees	Cash Bonus	Non Monetary Benefits (iii)	Superannuation	Options (i)	Performance Rights (ii)		
Directors								
R.A. Elliott	60,000	-	-	5,400	-	-	65,400	-
F.D. Campbell	38,150	-	-	-	4,178	-	42,328	9.87%
W.R.B. Hassell	35,000	-	-	3,150	-	-	38,150	-
H.M. McLaughlin	363,998	15,000	-	12,139	190,417	109,925	691,479	45.60%
J.A. Cruickshank	216,138	8,000	1,130	12,139	-	65,955	303,362	24.38%
Total	713,286	23,000	1,130	32,828	194,595	175,880	1,140,719	
Executives								
D.J. Rich	237,138	12,000	2,265	12,139	12,432	74,694	350,668	28.27%
D.M. Scull	247,652	9,345	7,180	-	34,451	65,955	364,583	30.10%
Total	484,790	21,345	9,445	12,139	46,883	140,649	715,251	

(i) Although a value has been attributed to the options and expensed in the financial statements, it should be noted that the directors and executives have not received this amount and the options may have no actual financial value unless the options achieve their exercise price as set out in the table on page 7 above under "Options".

(ii) Although a value has been attributed to the performance rights and expensed in the financial statements, it should be noted that the directors and executives have not received this amount and the performance rights may have no actual financial value unless the predetermined performance hurdles are achieved.

(iii) Directors' liability insurance premiums are not included due to the confidentiality clause in the insurance contract.

10. INDEMNIFICATION OF DIRECTORS AND COMPANY SECRETARY

An indemnity agreement has been entered into with each of the directors of the Company as at the end of the reporting period (as named in section 1 of this report) and the Company Secretary. Under the agreement, the Company has agreed to indemnify those directors and the Company Secretary against any claim or for any expenses or costs that may arise as a result of work performed in their respective capacities. There is no monetary limit to the extent of this indemnity.

The Company has paid a premium under a contract insuring each Director and Officer of the Company and its Consolidated Entities against liability incurred in that capacity. Disclosure of the nature of the liability covered by and the amount of premium payable for such insurance is subject to a confidentiality clause under the contract of insurance.

DIRECTORS' REPORT (Cont.)

11. RISK MANAGEMENT

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board, through the Audit and Compliance Committee, maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non-financial KPIs.
- Regular reviews of the risk register by the Audit and Compliance Committee and subsequent reporting to the Board.

12. STATE OF AFFAIRS

Significant changes in the state of affairs of the Consolidated Entity during the six months ended 31 December 2006 were as follows:

A decrease in share capital from $59,703,000 to $59,682,000 as follows:	$'000
Opening Balance, 1 July 2006	59,703
On-market buy-back of 53,750 fully paid ordinary shares at an average price of $0.388	(21)
Closing Balance, 31 December 2006	59,682

Since 31 December 2006 Antares Energy Limited has issued 248,600 new shares as a result of the exercising of vested performance rights.

Apart from the items set out below, there have been no ordinary shares issued, bought back or cancelled between the reporting date and the date of completion of these financial statements.

a) On 26 February 2006 Antares Energy Limited issued 248,600 new shares as a result of the exercising of vested performance rights by employees. These shares were issued for nil consideration.

b) On 26, 27 and 28 February 2007 Antares Energy Limited bought back 248,600 shares on-market at 80 cents each to match the new issue of shares as set out in a) above.

13. SIGNIFICANT EVENTS AFTER BALANCE DATE

No matter or circumstance has arisen since 31 December 2006 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

Little Bear Project

On 31 January the Company announced to the ASX that the Garcitas Ranch C-1 well had reached a final TD of 13,030 feet. From the interpretation of wireline logs the Company reported that the Middle Wilcox main target had encountered gas sands in line with pre-drill expectations and the Upper Wilcox secondary target had encountered significant gas sands which exceeded pre-drill expectations. The Operator of the project is currently testing the well.

The first development well on the project, Garcitas Ranch C-2, commenced on 6 March 2007. The Company anticipates that a number of additional wells will be required to develop this field.

Oyster Creek Project

a) Harrison-1 Well

The Company announced to the ASX on 8 January 2007 that the Harrison-1 well had drilled to a depth of 12,805 feet. From wireline logs it was interpreted that a number of gas charged sands with good porosity and permeability had been encountered that were coincident with strong gas shows encountered while drilling. After some addition technical information was processed and evaluated, the decision by the joint venture was made to complete the well and casing was run. Production testing to date indicates that the initial production will be in line with expectations.

b) Scott-2 Well

As a result of the success in Harrison-1, a follow-up well on the Oyster Creek project was immediately drilled using the same rig. The Company reported to the ASX on 28 February 2007 that the well had reached a total depth of 12,800 feet and wireline logs had been run. This well will be production tested after the conclusion of testing at Harrison-1.

DIRECTORS' REPORT (Cont.)

Convertible Notes

A meeting of noteholders was held on 30 January 2007 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.

On 1 February 2007 the Company raised $6,183,600 through the issue of 3,091,800 convertible notes at $2 each. The new convertible notes were issued under the same terms and conditions as the existing convertible notes (quoted as AZZG), thus increasing the total number of AZZG convertible notes on issue to 8,061,235.

Performance Rights

On 26 February 2007 the Board of Antares Energy Limited announced that it had determined that for the year ended 31 December 2006, 33% of the performance rights available for vesting at 31 December 2006 had vested as a result of performance hurdles being met.

A total of 1,028,333 performance rights were eligible for vesting in relation to Company performance for the year ended 31 December 2006. As a result of the Board's determination, 339,350 performance rights vested and 688,983 lapsed.

On 26 February 2007 248,600 of the newly vested rights were exercised, resulting in 248,600 new shares being issued. 248,600 shares were subsequently bought back on-market and cancelled to match the new issue.

14. LIKELY DEVELOPMENTS AND RESULTS

Exploration

As at the date of this report the Company is involved in four significant exploration projects being Shaeffer Ranch, Kenedy Ranch, New Taiton and Yellow Rose. All four are located in south Texas. The company has planned to drill exploration wells during 2007 to test key targets within the Shaeffer Ranch and Kenedy Ranch projects. As at the date of this report the first well on the New Taiton project is at 17,000 feet. In addition to this, seismic acquisition is about to commence over the Yellow Rose project and depending on the results of the seismic processing and interpretation, it is expected that exploration wells will be drilled on this project in late 2007 or 2008.

Results from the abovementioned exploration wells will drive any development expenditure for items such as appraisal and development wells, surface facilities and pipelines. Production volumes and revenues will be driven by the results of the exploration program.

In addition to the projects above and in the development phase, the Consolidated Entity continues to run an active new ventures program and it is likely that new projects will be entered into over the course of the coming financial year.

Development

As at the date of this report the Company is involved in two significant development projects being Garcitas Ranch and Oyster Creek. After initial discoveries on these two projects in early 2007 the company has already drilled a follow-up well on the Oyster Creek project (Scott-2) which is also a discovery and there is the possibility of at least two further wells on this project in the future. Planning is currently underway for the building of a pipeline to the nearest sales line and production is expected to commence in the second quarter of 2007.

The first development well on the Garcitas Ranch project (Garcitas Ranch C-2) commenced on 6 March 2007 and is currently drilling ahead. The Garcitas Ranch prospect has two producing zones and development of the discovery could entail in excess of eight development wells.

Divestment

The Consolidated Entity has elected to proactively market its Oklahoma properties as these are now not core to the future direction of the company. The sale process commenced at the North American Prospect Expo (NAPE) during early February 2007. The Oklahoma properties include the Ellis and Yukon projects which have several producing wells and an acreage position in north-east Oklahoma. Proceeds from the sale will be used to fund the south Texas exploration and development.

15. CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Antares Energy Limited support and in general have adhered to the principles of corporate governance. The Company's corporate governance statement is contained as part of this annual report.

DIRECTORS' REPORT (Cont.)

16. ROUNDING

The amounts contained in this report and in the financial report 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.

17. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The independence declaration received from the auditor of Antares Energy Limited is set out on page 12 and forms part of this directors' report for the six months ended 31 December 2006.

Non-audit services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence of auditors imposed by the Corporations Act. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Local and international tax services	$74,000
Other assurance services	$20,000
Total	$94,000

Signed in accordance with a resolution of directors.

R.A. ELLIOTT
Chairman

West Perth, Western Australia
16 March, 2007

ERNST & YOUNG

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

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

In relation to our audit of the financial report of Antares Energy Limited for the six months ended 31 December 2006, 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

Ernst & Young

Gavin Buckingham

Gavin A. Buckingham
Partner
Perth
16 March 2007

GAB:KT:ANTARES:050

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Antares Energy Limited (the "Company") is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

In accordance with the Australian Stock Exchange Corporate Governance Council's (the Council) "Principles of Good Corporate Governance and Best Practice Recommendations" this Corporate Governance Statement contains certain specific information and discloses the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed for all or part of the year, that fact must be disclosed, together with the reasons for the departure. The Company's Corporate Governance Statement is structured with reference to the Council's principles and recommendations which are as follows:

Principle 1	Lay solid foundations for management and oversight;
Principle 2	Structure the Board to add value;
Principle 3	Promote ethical and responsible decision making;
Principle 4	Safeguard integrity in financial reporting;
Principle 5	Make timely and balanced disclosure;
Principle 6	Respect the rights of shareholders;
Principle 7	Recognise and manage risk;
Principle 8	Encourage enhanced performance;
Principle 9	Remunerate fairly and responsibly;
Principle 10	Recognise the legitimate interests of shareholders.

The Company's corporate governance practices were in place throughout the six months ended 31 December 2006 and were fully compliant with the Council's best practice recommendations except where noted.

Copies of all Corporate Governance documentation is available on our website at: www.antaresenergy.com (Investor Relations/ Corporate Governance).

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report on page 1. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence, "materiality" is considered from both the Company and individual director perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company. The appropriate base amount depends on the nature of the item being considered. For example, if a director's interest in a supplier is being considered, there would be two appropriate base amounts, the first being the Company's total purchases from suppliers and the second being the total sales to all customers by the supplier.

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are considered to be independent:

Name	Position
R.A. Elliott	Chairman, Non-Executive Director
F.D. Campbell	Non-Executive Director
W.R.B. Hassell	Non-Executive Director

Recommendation 2.1 recommends that the majority of the Board be independent directors. This was the case throughout the period.

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

The term in office held by each director at the date of this report is as follows:

Name	Term in Office
R.A. Elliott	5.5 years
F.D. Campbell	5.0 years
W.R.B. Hassell	2.5 years
H.M. McLaughlin	3.5 years
J.A. Cruickshank	2.5 years

The Company's Corporate Governance Policy states that the Board should have at least five directors.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including where necessary, selecting candidates for the position of director. The Nomination Committee comprises a majority of independent directors. The Nomination Committee comprised the following members throughout the six month period:

R.A. Elliott (Chairman)
F.D. Campbell
W.R.B. Hassell
H.M. McLaughlin
J.A. Cruickshank

Given the small number of directors, currently all directors are members of the Nomination Committee. For details of directors' attendance at meetings of the Nomination Committee, refer to page 2 of the Directors' Report.

Audit and Compliance Committee

The Board has established an Audit and Compliance Committee which operates under a terms of reference (charter) approved by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control (including the maintenance of a risk register) for the management of the Consolidated Entity to the Audit and Compliance Committee.

The committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the Audit and Compliance Committee are non-executive directors.

The members of the Audit and Compliance Committee during the six month period were:

W.R.B. Hassell (Chairman)
F.D. Campbell
R.A. Elliott

For details regarding the qualifications of the members, refer to page 1 of the Directors' Report.

For details on the number of meetings of the Audit and Compliance Committee held during the six months and the attendees at those meetings refer to page 2 of the Director's Report.

Ethical and Responsible Decision Making

The Board of the Company actively promotes ethical and responsible decision-making. The standard of ethical behaviour required by directors and officers (including the Managing Director and Chief Executive Officer and Chief Financial Officer), is set out in a Directors and Officers Code of Conduct. Complimenting this is a Code of Conduct for all employees and directors. Both Codes form part of the Company's Corporate Governance documentation which is published on the Company's website.

External Auditor

The Company's policy for the appointment of an external auditor is published on the Company's website. The Company's auditors have an ongoing policy of audit engagement partner rotation every five years. As per the Audit and Compliance Committee Terms of Reference, the Audit and Compliance Committee has recently conducted a review of the external auditor. The Committee reviewed independence, performance in relation to the adequacy of the scope and quality of the annual statutory audit and half-year review and the fees charged.

Performance

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the Nomination Committee conducted an internal performance evaluation which involved a review of the Board's performance.

Risk Management

The Company takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the group's objectives and activities are aligned with the risks and opportunities identified by the Board. The Board has a separate Risk Management policy. The Board oversees the risk management of the Company through the Audit and Compliance Committee.

The Board, through the Audit and Compliance Committee, maintains a risk register ranking all the identified risks of the business and how the significant risks are being managed.

CORPORATE GOVERNANCE STATEMENT (Cont.)

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the group's vision, mission and strategy statements, designed to meet stakeholders needs and manage business risk.

- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of both financial and non-financial KPIs.

- Regular reviews of the risk register by the Audit and Compliance Committee and subsequent reporting to the Board.

Recommendation 7.1 recommends companies have an internal audit function. The Company does not have an internal audit function as the Board considers the Company is not yet large enough to justify the cost of doing so. Recommendation 7.3 recommends the Company make a description of its internal compliance and control system publicly available. At this stage the Company has not made such a description separately available as it considers that the information is already covered in the Risk Management Policy document.

Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality Board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of quality management to the Company;
- performance incentives which allow executives to share the rewards of the success of the Company.

For details on the amount of remuneration and all monetary and non-monetary components paid to the (non-director) executives during the year and for all directors, refer to page 8 of the Directors' Report. In relation to the payment of bonuses, options and other incentive payments, discretion is exercised by the Board, having regard to the overall performance of the Company and the performance of the individual during the period.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the directors themselves and the chief executive officer and the executive team. The Board has established a Remuneration Committee, comprising three non-executive directors. Members of the Remuneration Committee throughout the year were:

F.D. Campbell (Chairman)
R.A. Elliott
W.R.B. Hassell

For details on the number of meetings of the Remuneration Committee held during the six months and the attendees at those meetings, refer to page 2 of the Directors' Report.

Recognise the legitimate Interests of Stakeholders

The Board recognises the Company has a number of legal and other obligations to non-shareholder stakeholders such as employees, clients/customers and the community as a whole and is therefore committed to appropriate corporate practices.

The Board has a company-wide Code of Conduct which is published on the Company's website.

Income Statement

Antares Energy Limited and its Controlled Entities

For the Six Months Ended 31 December 2006

	Note	Consolidated		Parent	
		6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Continuing Operations					
Revenue	3	1,875	2,709	653	1,349
Cost of goods sold	4	(741)	(933)	-	-
Gross profit		1,134	1,776	653	1,349
Other income	3	16	1,715	6	1,220
Employee benefits	4	(1,489)	(3,206)	(912)	(2,398)
Other expenses excluding finance costs	4	(1,920)	(13,900)	(3,260)	(16,325)
Finance costs	4	(637)	(1,625)	(637)	(1,625)
Loss before income tax		(2,896)	(15,240)	(4,150)	(17,779)
Income tax benefit	5	-	4	-	-
Loss after tax from continuing operations		**(2,896)**	**(15,236)**	**(4,150)**	**(17,779)**
Discontinued Operations					
Profit after tax from discontinued operations	6	-	20,783	-	32,933
Net (Loss)/Profit attributable to members of Antares Energy Limited		**(2,896)**	**5,547**	**(4,150)**	**15,154**

	Note	6 months to 31 December 2006	12 months to 30 June 2006
Earnings per share (cents per share)			
Basic (loss)/profit per share for the period	8	(1.8)	3.5
Basic (loss) per share from continuing operations	8	(1.8)	(9.5)
Diluted (loss)/profit per share for the period	8	(1.8)	3.5
Diluted (loss) per share from continuing operations	8	(1.8)	(9.5)

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

Balance Sheet
Antares Energy Limited and its Controlled Entities
As at 31 December 2006

	Note	Consolidated		Parent	
		31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
CURRENT ASSETS					
Cash and cash equivalents	9	18,298	33,909	17,211	32,827
Trade and other receivables	10	2,438	624	100	189
Inventories	11	-	7	-	-
		20,736	34,540	17,311	33,016
Non-current assets classified as held for sale	7	8,387	-	-	-
Total current assets		**29,123**	**34,540**	**17,311**	**33,016**
NON-CURRENT ASSETS					
Trade and other receivables	10	-	-	27,410	15,407
Property, plant and equipment	13	177	171	33	21
Oil and gas properties	14	358	3,338	-	-
Deferred exploration and evaluation expenditure	15	17,232	11,035	-	-
Other financial assets	12	-	-	33	33
Total non-current assets		**17,767**	**14,544**	**27,476**	**15,461**
TOTAL ASSETS		**46,890**	**49,084**	**44,787**	**48,477**
CURRENT LIABILITIES					
Trade and other payables	17	2,497	941	486	381
Provisions	19	167	128	122	81
Interest-bearing loans and borrowings	18	-	9,866	-	9,866
		2,664	10,935	608	10,328
Liabilities directly associated with the assets classified as held for sale	7	47	-	-	-
Total current liabilities		**2,711**	**10,935**	**608**	**10,328**
NON-CURRENT LIABILITIES					
Interest-bearing loans and borrowings	18	9,364	-	9,364	-
Total non-current liabilities		**9,364**	**-**	**9,364**	**-**
TOTAL LIABILITIES		**12,075**	**10,935**	**9,972**	**10,328**
NET ASSETS		**34,815**	**38,149**	**34,815**	**38,149**
EQUITY					
Contributed equity	20	59,682	59,703	59,682	59,703
Reserves		2,023	2,440	3,148	2,311
Accumulated losses		(26,890)	(23,994)	(28,015)	(23,865)
TOTAL EQUITY		**34,815**	**38,149**	**34,815**	**38,149**

The balance sheet is to be read in conjunction with the notes to the financial statements.

Statement of Changes in Equity

Antares Energy Limited and its Controlled Entities

For the Six Months Ended 31 December 2006

CONSOLIDATED

12 months to 30 June 2006	Ordinary Share Capital $'000	(Accumulated Losses)/ Retained Earnings $'000	Foreign Currency Reserve $'000	Convertible Note Premium Reserve $'000	Share Option Reserve $'000	Total $'000
Balance at 1 July 2005	60,175	(29,541)	(305)	800	795	31,924
Transfer to profit on de-consolidation of entity	-	-	38	-	-	38
Foreign currency translation differences	-	-	396	-	-	396
Total income and expense recognised directly in equity	-	-	434	-	-	434
Profit for the period	-	5,547	-	-	-	5,547
Total income/expense for the period	-	5,547	434	-	-	5,981
Share buy back	(972)	-	-	-	-	(972)
Exercise of share options	500	-	-	-	-	500
Cost of Share based payments	-	-	-	-	716	716
Balance at 30 June 2006	**59,703**	**(23,994)**	**129**	**800**	**1,511**	**38,149**

6 months to 31 December 2006

Balance at 1 July 2006	59,703	(23,994)	129	800	1,511	38,149
Foreign currency translation differences	-	-	(1,254)	-	-	(1,254)
Total income and expense recognised directly in equity	-	-	(1,254)	-	-	(1,254)
Loss for the period	-	(2,896)	-	-	-	(2,896)
Total income/expense for the period	-	(2,896)	(1,254)	-	-	(4,150)
Share buy back	(21)	-	-	-	-	(21)
Equity component of convertible notes	-	-	-	575	-	575
Cost of Share based payments	-	-	-	-	262	262
Balance at 31 December 2006	**59,682**	**(26,890)**	**(1,125)**	**1,375**	**1,773**	**34,815**

PARENT

12 months to 30 June 2006	Ordinary Share Capital $'000	(Accumulated Losses)/ Retained Earnings $'000	Foreign Currency Reserve $'000	Convertible Note Premium Reserve $'000	Share Option Reserve $'000	Total $'000
Balance at 1 July 2005	60,175	(39,019)		800	795	22,751
Foreign currency translation differences	-	-	-	-	-	-
Total income and expense recognised directly in equity	-	-	-	-	-	-
Profit for the period	-	15,154	-	-	-	15,154
Total income/expense for the period	-	15,154	-	-	-	15,154
Share buy back	(972)	-	-	-	-	(972)
Exercise of share options	500	-	-	-	-	500
Cost of Share based payments	-	-	-	-	716	716
Balance at 30 June 2006	**59,703**	**(23,865)**	**-**	**800**	**1,511**	**38,149**

6 months to 31 December 2006

Balance at 1 July 2006	59,703	(23,865)	-	800	1,511	38,149
Foreign currency translation differences	-	-	-	-	-	-
Total income and expense recognised directly in equity	-	-	-	-	-	-
Loss for the period	-	(4,150)	-	-	-	(4,150)
Total income/expense for the period	-	(4,150)	-	-	-	(4,150)
Share buy back	(21)	-	-	-	-	(21)
Equity component of convertible notes	-	-	-	575	-	575
Cost of Share based payments	-	-	-	-	262	262
Balance at 31 December 2006	**59,682**	**(28,015)**	**-**	**1,375**	**1,773**	**34,815**

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

Cash Flow Statement

Antares Energy Limited and its Controlled Entities

For the Six Months Ended 31 December 2006

	Note	Consolidated		Parent	
		6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Cash flows from operating activities					
Receipts from customers		1,254	9,032	-	-
Payments to suppliers and employees		(1,507)	(7,166)	(755)	(2,595)
Interest received		732	1,194	709	1,035
Interest paid		(503)	(1,252)	(503)	(1,252)
Income tax (paid)		-	(472)	-	-
Net cash inflows/(outflows) from operating activities	9	**(24)**	**1,336**	**(549)**	**(2,812)**
Cash flows from investing activities					
Payments for property, plant and equipment		(58)	(69)	(20)	(5)
Exploration, evaluation and development expenditure		(13,943)	(16,616)	-	(12)
Loans to subsidiaries		-	-	(12,051)	(16,014)
Net proceeds from sale of discontinued operation		-	38,417	-	48,960
Expenses on sale of discontinued operation		-	(3,606)	-	-
Proceeds from sale of licence interests		-	291	-	210
Proceeds from sale of property, plant and equipment		6	17	6	17
Net cash (outflows)/inflows from investing activities		**(13,995)**	**18,434**	**(12,065)**	**33,156**
Cash flows from financing activities					
Proceeds from borrowings		-	5,750	-	5,750
Repayment of borrowings		(61)	(5,750)	(61)	(5,750)
Payments for shares bought back on-market		(21)	(979)	(21)	(979)
Proceeds from issue of shares		-	500	-	500
Net cash (outflows) from financing activities		**(82)**	**(479)**	**(82)**	**(479)**
Net (decrease)/increase in cash and cash equivalents held		**(14,101)**	**19,291**	**(12,696)**	**29,865**
Cash and cash equivalents at the beginning of the period		33,909	12,806	32,827	1,711
Effects of exchange rate changes on cash		(1,510)	1,812	(2,920)	1,251
Cash and cash equivalents at the end of the period	9	**18,298**	**33,909**	**17,211**	**32,827**

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

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 1 BASIS OF PREPARATION

The financial report of Antares Energy Limited and its subsidiaries ("the Consolidated Entity") for the period ended 31 December 2006 was authorised for issue in accordance with a resolution of the Directors on 13 March 2007.

Antares Energy Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange. The address of the registered office and principal place of business is Level 2, 5 Ord Street, West Perth, Western Australia, 6005.

The principal activity of Antares Energy Limited is the exploration and production of oil and gas, with current activities based primarily in Oklahoma and Texas states in the United States of America.

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards and other mandatory professional reporting requirements.

The financial report has been prepared in accordance with the historical cost convention.

During the period the Company applied to the Australian Securities & Investment Commission (ASIC) to change its financial year and the financial year of its subsidiary to allow for the preparation of consolidated accounts. Approval was received from ASIC on 21 December 2006 providing relief under subsection 340(1) from the requirements of subsection 323D(2) confirming the change of financial year end to 31 December 2006. The financial report therefore covers the six month period ended 31 December 2006 with the comparative period being the 12 month period ended 30 June 2006.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the class order applies.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards (IFRS).

The following Australian Accounting Standards and Urgent Issues Group Interpretations that have recently been issued or amended but are not yet effective have not been adopted for the 6 month period ended 31 December 2006:

	Affected Standard (s)/UIG Interpretation	**Application date of standard/ interpretaion**
AASB Amend-ment 2005-10	AASB 132 *Financial Instruments: Disclosure and Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 133 *Earnings per Share*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 1 *First-time adoption of AIFRS*, AASB 4 *Insurance Contracts*, AASB 1023 *General insurance Contracts* and AASB 1038 *Life Insurance Contracts*	1 January 2007
New Standard	AASB 7 *Financial Instruments: Disclosures*	1 January 2007
	AASB 101 (revised) *Presentation of Financial Statements* (revised October 2006)	1 January 2007
	Interpretation 10 Interim Financial Reporting and Impairment	1 November 2006

All the above accounting standards are applicable for annual reporting periods commencing on or after the date shown in the above table. For the Consolidated Entity the above accounting standards will be applied from 1 January 2007. It is anticipated that there will be no change to accounting policy and hence no impact from the application of the above standards.

The application of new and amending accounting standards and interpretations applicable for the first time during the current period has not resulted in any changes to accounting policies nor had an impact on the financial results of the group.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 1 BASIS OF PREPARATION (Cont.)

(c) Principles of consolidation

The consolidated financial statements comprise the financial statements of Antares Energy Limited and its subsidiaries during the six months ended 31 December 2006 ("the Consolidated Entity").

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-company balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Consolidated Entity and cease to be consolidated from the date on which control is transferred out of the Consolidated Entity.

(d) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Oil and Gas Properties

Oil and gas properties include construction, installation or completion of infrastructure facilities such as pipelines and platforms, capitalised borrowing costs, transferred exploration and evaluation costs, and the cost of development wells.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Plant and equipment, other than freehold land, are depreciated to their residual values at rates based on the expected useful lives of the assets concerned. Oil and gas properties are depreciated on the Units of Production (UOP) basis using proven plus probable reserves.

The remaining assets use the straight line approach. The major categories of assets are depreciated as follows:

Category	Method
Plant and equipment	Straight line at 20% to 33%.
Oil and gas properties	Over the life of proved plus probable reserves (UOP).
Leasehold Improvements	Straight line over the shorter of useful life and the lease term.

Currently there are no buildings owned by the Consolidated Entity.

Work in Progress assets are carried in the accounts at cost. They are not depreciated until they are installed at the intended location and ready for use in the manner at which they were intended to be used.

Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with the recoverable amount being estimated when events or changes in circumstances indicate the carrying value may be impaired.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the income statement.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. **BASIS OF PREPARATION (CONT.)**

(d) **Property, plant and equipment (Cont.)**

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

(e) **Exploration and evaluation**

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method.

Exploration licence acquisition costs are capitalised and subject to half-yearly impairment testing.

All exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs, are expensed as incurred except where:

- The expenditure relates to an exploration discovery that, at balance date, has not been recognised as an area of interest, as assessment of the existence or otherwise of economically recoverable reserves is not yet complete; or
- An area of interest is recognised, and it is expected that the expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons and the recognition of an area of interest. Areas of interest may be recognised at either the field or the well level, depending on the nature of the project. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are capitalised.

Each potential or recognised area of interest is reviewed half yearly to determine whether economic quantities of reserves have been found or whether further exploration and evaluation work is underway or planned to support the continued carry forward of capitalised costs.

Upon approval for the commercial development of an area of interest, accumulated expenditure for the area of interest is transferred to oil and gas properties.

The recoverability of the carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

AASB 6 *Exploration for and Evaluation of Mineral Resources* has been applied effective 1 July 2004.

(f) **Impairment of assets**

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. If any such indication of impairment exists, or when annual impairment testing for an asset is required, the Consolidated Entity makes a formal estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit).

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. **BASIS OF PREPARATION (CONT.)**

(g) Provision for Restoration

The Consolidated Entity records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset (refer Note 1(d)).

Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

(h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the full debt. Bad debts are written off when identified.

(i) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(j) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year that are unpaid and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services.

(k) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(l) Employee benefits

(i) Wages, salaries, bonus payments, annual leave and sick leave

Liabilities for wages and salaries, bonus payments, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wages and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. BASIS OF PREPARATION (CONT.)

(m) Leases

Consolidated Entity as a lessee

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Consolidated Entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Consolidated Entity will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

(n) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sales Revenue

Sales revenue is recognised when the significant risks and rewards of ownership have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of "delivery of goods to the customer". Delivery of product is by pipeline and under well specific contracts that define the place of transfer in ownership, the nominated transfer point has appropriate meter equipment installed. Product pricing is dependant upon product quality and delivery volumes rates, and base price marked to an appropriate commodity market benchmark.

Interest

Revenue is recognised as the interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(o) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences; except:

- when the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. **BASIS OF PREPARATION (CONT.)**

(o) **Income tax (Cont.)**

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized; except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates and interests in joint ventures, in which case the deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Income taxes relating to terms recognised directly in equity are recognised in equity and not in profit or loss.

(p) **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(q) **Interest bearing loans & borrowings - Convertible notes**

The component of the convertible note that exhibits characteristics of a liability is recognised as a liability in the balance sheet, net of issue costs. The residual amount is recognised as equity in the balance sheet.

Placement costs and interest may be payable on conversion or redemption. Such costs will be accrued as expenses until conversion or redemption. In the case that any or all of these expenses are converted to ordinary shares, the amount that is requested to be converted will be recognised against the issued capital at the time of conversion.

(r) **Borrowing Costs**

Borrowing costs incurred for the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Assets are considered to be qualifying assets when this period of time is substantial (greater than 12 months). The interest rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Consolidated Entity's outstanding borrowings during the year.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. **BASIS OF PREPARATION (CONT.)**

(s) **Interest in a jointly controlled operation**

The Consolidated Entity has interests in joint ventures that are jointly controlled operations. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the ventures rather than establishment of a separate entity. The Consolidated Entity recognises its interest in a jointly controlled operation by recognising the assets that it controls and the liabilities that it incurs. The Consolidated Entity also recognises the expenses that it incurs and its share of the income that it earns from the sale of goods or services by a jointly controlled operation.

(t) **Issued capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

(u) **Earnings per share ("EPS")**

Basic EPS is calculated as net profit attributable to members of the parent, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as the net profit attributed to members of the parent, adjusted for:

- costs of servicing equity (other than dividends);
- the after-tax effect of dividends and interest associated with the dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenue and expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(v) **Inventories**

Inventories are valued at the lower of cost and net realisable value.

Spares and consumables are valued at purchase cost on a first-in first-out basis. Surplus and obsolete items are identified and disposed of, or written down to realisable value pending disposal.

(w) **Foreign currency translation**

Both the functional and presentation currency of Antares Energy Limited and its Australian subsidiaries is Australian dollars ($). Entities within the Consolidated Entity that are based and operate outside of Australia use the functional currency of their domicile, provided the local economy is not subject to hyperinflation. Each entity in the Consolidated Entity uses its specific functional currency to measure the items included in the financial statements of that entity.

Transactions in foreign currency are initially recorded in the functional currency by applying the exchange ruling at the date of the transaction or the average for the period when translating a large number of transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated financial report are taken to the income statement.

Non-monetary items that are measured in terms of historic cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rate as at the date when fair value was determined.

The functional currency of the Consolidated Entity's material foreign operation, Antares Energy Company, is United States dollars (USD).

As at the reporting date the assets and liabilities of this subsidiary were translated into the presentation currency of Antares Energy Limited at the rate of exchange ruling at the balance sheet date and their income statements are translated at the average exchange for the period.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. **BASIS OF PREPARATION (CONT.)**

(w) **Foreign currency translation (Cont.)**

The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

(x) **Share-based payment transactions**

The Consolidated Entity provides benefits to directors and employees of the Consolidated Entity in the form of equity, whereby directors and employees render services in exchange for shares, options to acquire shares or rights over shares.

There are currently two forms of share based remuneration in place:

- Options granted to directors, senior executives and employees under the Employee Option Plan which was terminated on 7 November 2004; and
- Performance rights granted under the Performance Rights Plan to employees. Non-executive directors are not entitled to participate in this plan.

The cost of these equity-settled transactions with employees and directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using an appropriate model.

In valuing equity-settled transactions, account is taken of performance conditions where the conditions are either linked to the price of the shares of Antares Energy Limited, or will impact on the number of securities vesting.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) for non-market based hurdles the Consolidated Entity's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for changes in the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of the fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

The dilutive effect, if any, of outstanding securities is reflected as additional share dilution in the computation of earnings per share.

(y) **Investments in controlled entities**

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. Subsequent to the initial measurement, investments in controlled entities are carried at cost less accumulated impairment losses.

(z) **Segment reporting**

A business segment is a distinguishable component of the entity that is engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is a distinguishable component of the entity that is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different to those of segments operating in other economic environments.

(aa) **Non-current assets and disposal groups held for sale and discontinued operations**

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognized for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

1. BASIS OF PREPARATION (CONT.)

(ab) Critical accounting estimates, assumptions and judgements

Estimates and assumptions are periodically evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Consolidated Entity continually employs judgement in the application of its accounting policies.

(i) Critical Accounting Estimates and Assumptions

The Consolidated Entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of assets

The Consolidated Entity's accounting policy for impairment is set out at Note 1(f). In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on internal estimates of potential reserves, future production profiles, commodity prices and costs.

The internal estimates of recoverable quantities of proven and probable reserves used in the future cashflow estimations include assumptions regarding commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Estimated recoverable reserves and their production profiles are integral to the amount of impairment, depreciation, depletion and amortisation charged to the income statement. The Consolidated Entity prepares internal recoverable reserve estimates in accordance with guidelines prepared by the Society of Petroleum Engineers.

The carrying value of all oil and gas properties as at 31 December 2006 was $3,595,000 of which $3,237,000 (30 June 2006: $nil) is included in current assets as non-current assets classified as held for sale. The balance of $358,000 is classified in the balance sheet as oil and gas properties (30 June 2006: $3,338,000).

Share-based payment transactions

The Group measures the cost of equity-settled transactions with directors and employees by reference to the fair value of the equity instruments at the date at which they are granted. Equity settled transactions include options and performance rights. The fair value of an option is determined by using a Black-Scholes option-pricing model using the assumptions detailed in note 15. The fair value of a performance right is determined by an external valuer using a modified Black-Scholes option-pricing model using the assumptions detailed in note 16.

(ii) Critical Judgements in Applying the Consolidated Entity's Accounting Policies

Exploration and evaluation

The Consolidated Entity's accounting policy for exploration and evaluation is set out at Note 1(e). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves have been or will be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under our policy, it is determined that the Consolidated Entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

The carrying value of deferred exploration and evaluation expenditure as at 31 December was $22,161,000 of which $4,929,000 (30 June 2006: $nil) is included in current assets as non-current assets classified as held for sale. The balance of $17,232,000 is classified in the balance sheet as deferred exploration and evaluation expenditure (30 June 2006: $3,338,000).

NOTE 2 SEGMENT REPORTING

(a) Geographical Segments

The Consolidated Entity's primary segment reporting format is geographical segments as the Consolidated Entity's risks and rates of return are effected predominantly by the fact that it operates in different countries.

During the previous year the Consolidated Entity operated in three geographical segments, being the USA, Turkey and Australia. All of the Consolidated Entity's operations in Turkey were sold during the previous year and are reported under the discontinued operations section.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 2 SEGMENT REPORTING (CONT.)

(b) Business Segment

The Consolidated Entity operates in the hydrocarbon exploration and production business segment only.

Primary Reporting - Geographical Segments 6 months to 31 December 2006	USA $'000	Australia $'000	Total Operations $'000
REVENUE			
External Sales	1,199	-	1,199
Other Revenue	23	653	676
Total segment revenue	1,222	653	1,875
Inter-segment elimination			-
Total Revenue from operations			1,875
RESULT			
Segment Result	(82)	(1,170)	(1,252)
Unallocated expense			-
Foreign exchange (loss)			(1,644)
Net profit/(loss) before income tax			(2,896)
Income tax benefit/(expense)			-
Net (Loss)/Profit			(2,896)
ASSETS			
Segment Assets	21,346	17,157	38,503
Assets Classified as Held for Sale	8,387	-	8,387
Total Segment Assets	29,733	17,157	46,890
Unallocated Assets			-
Total Assets			46,890
LIABILITIES			
Segment Liabilities	(2,278)	(9,750)	(12,028)
Liabilities directly associated with the assets classified as held for sale	(47)	-	(47)
	(2,325)	(9,750)	(12,075)
Tax Liabilities			-
Total Liabilities			(12,075)
OTHER			
Capital expenditure	12,954	20	12,974
Depreciation	36	8	44
Amortisation	464	-	464
Convertible notes amortisation	-	44	44
Convertible notes implicit interest	-	90	90
Exploration written off	-	-	-
Impairment	197	-	197
Total non-cash expenses	697	142	839

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 2 SEGMENT REPORTING (CONT.)

Primary Reporting - Geographical Segments (Cont.)

12 months to 30 June 2006	USA $'000	Australia $'000	Total Continuing Operations $'000	Discontinued Operations (Turkey) $'000	Total Operations $'000
REVENUE					
External Sales	1,502	-	1,502	7,654	9,156
Other Revenue	35	1,172	1,207	123	1,330
Other Segments	-	301	301	-	301
Total segment revenue	1,537	1,473	3,010	7,777	10,787
Inter-segment elimination			(301)	-	(301)
Total Revenue from operations			2,709	7,777	10,486
RESULT					
Segment Result	(13,143)	(3,224)	(16,367)	3,433	(12,934)
Unallocated expense			-	-	-
Foreign exchange gain			1,127	-	1,127
Net profit/(loss) before income tax and gain on sale of discontinued operations			(15,240)	3,433	(11,807)
Income tax benefit/(expense)			4	(98)	(94)
			(15,236)	3,335	(11,901)
Gain on the sale of discontinued operation (note 6)			-	17,448	17,448
Net (Loss)/Profit			(15,236)	20,783	5,547
ASSETS					
Segment Assets	15,915	33,169	49,084	-	49,084
Unallocated Assets			-	-	-
Total Assets			49,084	-	49,084
LIABILITIES					
Segment Liabilities	(597)	(10,338)	(10,935)	-	(10,935)
Tax Liabilities			-	-	-
Total Liabilities			(10,935)	-	(10,935)
OTHER					
Capital expenditure	12,610	42	12,652	484	13,136
Depreciation	62	39	101	504	605
Amortisation	533	-	533	639	1,172
Convertible notes amortisation	-	133	133	-	133
Convertible notes implicit interest	-	266	266	-	266
Exploration written off	5,221	30	5,251	-	5,251
Impairment	7,731	-	7,731	-	7,731
Total non-cash expenses	13,547	468	14,015	1,143	15,158

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

	Consolidated		Parent	
	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
NOTE 3 REVENUE AND OTHER INCOME				
(i) Revenue and other income from Continuing Operations				
a) Revenue				
Sale of product	1,199	1,502	-	-
Interest Revenue	676	1,207	653	1,172
Rendering of services	-	-	-	177
	1,875	2,709	653	1,349
b) Other Income				
Gain on disposal of interest in leases	-	80	-	-
Gain on disposal of property, plant and equipment	6	13	6	13
Foreign exchange gain	-	1,622	-	1,127
Other	10	-	-	80
	16	1,715	6	1,220
(ii) Revenue from Discontinued Operations (note 6)				
a) Revenue				
Sale of product	-	7,654	-	-
Interest Revenue	-	123	-	-
	-	7,777	-	-
NOTE 4 EXPENSES AND LOSSES/(GAINS)				
(i) Expenses and losses/(gains) from continuing operations				
a) Expenses				
Cost of goods sold:				
Depreciation and amortisation expenses	464	533	-	-
Other production costs	277	400	-	-
Total cost of goods sold	741	933	-	-
Other expenses:				
Operating lease payments	107	262	50	161
Impairment of intercompany loan	-	-	131	15,473
General and Administrative expenses	1,903	4,601	732	1,712
Foreign exchange loss	1,644	-	2,837	-
Impairment of oil & gas properties (note 14)	197	7,731	-	-
Exploration expenditure written off (note 15)	-	5,251	-	30
Costs recovered/capitalised	(1,931)	(3,945)	(490)	(1,051)
	1,920	13,900	3,260	16,325

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 4 EXPENSES AND LOSSES/(GAINS) (CONT.)

a) Expenses (Cont.)

	Consolidated		Parent	
	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Finance costs:				
Convertible notes interest paid/payable	503	1,000	503	1,000
Convertible notes implicit interest (note18)	90	266	90	266
Convertible notes issue costs amortisation	44	133	44	133
Facility fees and interest	-	226	-	226
	637	1,625	637	1,625
Employee benefits				
Wages and salaries	1,121	2,281	592	1,544
Share based payments	262	716	262	716
Leave provisions	103	188	55	117
Other	3	21	3	21
	1,489	3,206	912	2,398
Reconciliation of depreciation and amortisation:				
Depreciation of property, plant & equipment	44	101	8	38
Amortisation of oil and gas properties	464	533	-	-
Total depreciation and amortisation expenses	508	634	8	38
- included in cost of goods sold	464	533	-	-
- included in general and administrative	44	101	8	38
Total depreciation and amortisation charges	508	634	8	38

(ii) Expenses and losses/(gains) from discontinued operations (note 6)

a) Expenses

Cost of goods sold:				
Depreciation and amortisation expenses	-	1,131	-	-
Provision for restoration	-	34	-	-
Other production costs	-	1,998	-	-
Total cost of goods sold	-	3,163	-	-
Other expenses:				
Depreciation	-	12	-	-
General and administration	-	1,169	-	-
Foreign exchange loss	-	-	-	-
Other expenses	-	1,181	-	-
Total expenses	-	4,344	-	-
Reconciliation of depreciation and amortisation:				
Depreciation of property, plant & equipment	-	504	-	-
Amortisation of costs of areas of interest in production	-	639	-	-
Total depreciation and amortisation expenses	-	1,143	-	-
- included in cost of goods sold	-	1,131	-	-
- included in general and administrative	-	12	-	-
Total depreciation and amortisation charges	-	1,143	-	-

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

	Consolidated		Parent	
	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
NOTE 5 INCOME TAX				
The major components of income tax expense are:				
Income Statement				
Current Income Tax				
Current Income Tax Charge	(286)	94	(264)	2,137
Deferred Income Tax				
Relating to origination and reversal of timing differences	(505)	(12)	(863)	(4)
Disposal of subsidiary	-	(2,195)	-	-
DTA not bought to account	791	2,207	1,127	-
Tax losses recognised	-	-	-	(2,133)
	-	94	-	-

(a) A reconciliation between tax expense and the product of accounting profit/(loss) before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit /(loss) before income tax	(2,896)	5,641	(4,150)	15,154
At Group's statutory income tax rate of 30%	(869)	1,692	(1,245)	4,546
Tax effect of permanent differences:				
- interentity transactions not recognised	-	-	-	(4,332)
- intercompany debt writeoff	-	-	40	5,095
- Disposal of Subsidiary	-	(3,379)	-	(3,478)
- Share based payments	78	215	78	215
- DTA not bought to account	791	1,566	1,127	-
- Tax losses utilised	-	-	-	(2,046)
Income tax (benefit) / expense	-	94	-	-
Reconcillation of income tax (benefit)/expense				
- continuing operations	-	(4)	-	-
- discontinued operations	-	98	-	-
	-	94	-	-

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

5. INCOME TAX (cont)	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
CONSOLIDATED				
6 months to 31 December 2006				
Deferred tax balances Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	-	851	-	851
Provisions	39	11	-	50
Losses available for offset against future taxable income (USA)	1,194	27	-	1,221
Losses available for offset against future taxable income (Australian)	8,986	879	-	9,865
	10,219	1,768	-	11,987
Less Unrecognised Net Deferred Tax Assets	(10,219)	(1,768)	-	(11,987)
	-	-	-	-
12 months to 30 June 2006				
Deferred tax balances Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Provisions	1,313	(1,274)	-	39
Losses available for offset against future taxable income (USA)	1,194	-	-	1,194
Losses available for offset against future taxable income (Australian)	11,123	(2,137)	-	8,986
	13,630	(3,411)	-	10,219
Deferred tax liabilities (i)				
Property, Plant and Equipment	(3,480)	3,480	-	-
	(3,480)	3,480	-	-
Less Unrecognised Net Deferred Tax Assets	13,630	(3,411)	-	10,219
	(3,480)	3,480	-	-

(i) Net deferred tax liability recognised relating to Turkish operations.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

5. INCOME TAX (cont) **PARENT**	Opening Balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
6 months to 31 December 2006				
Deferred tax balances				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Accumulated foreign exchange movement	-	851		851
Provision for diminution	-	4,611		4,611
Provisions	25	12	-	37
Losses available for offset against future taxable income (Australian)	8,986	879	-	9,865
	9,011	6,353	-	15,364
Less Unrecognised Net Deferred Tax Assets	(9,011)	(6,353)	-	(15,364)
	-	-	-	-
12 months to 30 June 2006				
Deferred tax balances				
Taxable and deductible temporary differences arise from the following:				
Deferred tax assets				
Provisions	21	4	-	25
Losses available for offset against future taxable income (Australian)	11,123	(2,137)	-	8,986
	11,144	(2,133)	-	9,011
Less Unrecognised Net Deferred Tax Assets	(11,144)	2,133	-	(9,011)
	-	-	-	-

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Unrecognised deferred tax balances The following deferred tax assets have not been brought to account as follows:				
Tax losses - revenue (Australian)	9,865	8,986	9,865	8,986
Tax losses (US)	1,221	1,194	-	-
Temporary difference – provision for diminution	-	-	4,611	
Temporary differences – Provisions	50	39	37	25
Temporary difference – accumulated foreign exchange movement	851	-	851	-
	11,987	10,219	15,364	9,011

The deferred tax assets will only be obtained if:

i) Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) The conditions for deductibility imposed by tax legislation continue to be complied with; and

iii) No changes in tax legislation adversely affect the consolidated entity in realising the benefit.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

5. INCOME TAX (cont)

Tax consolidation
Effective 1 July 2002, for the purposes of income taxation, Antares Energy Limited and its 100% owned Australian controlled entities formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement. The tax sharing agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Antares Energy Limited.

Franking Credits
Antares Energy Limited does not have any franking credits at 31 December 2006.

NOTE 6 DISCONTINUED OPERATIONS

The sale of the shares in Amity Oil International Pty Ltd, whose assets included reserves, production facilities and exploration prospects in Turkey was completed on 28 October 2005. The proceeds from the sale include a cash component already received and potential payments under the terms of the Sale Agreement (note 23(c))

a) The results of the discontinued operation for the prior year until disposal on 28 October 2005 are presented below.

	30 June 2006 $'000
Revenue (note 3(ii))	7,777
Expenses (note 4(ii))	(4,344)
Profit before income tax from discontinued operations	3,433
Tax expense	(98)
Profit after tax attributable to discontinued operations	3,335
Gain on sale of discontinued operation after income tax expense	17,448
Total profit from discontinued operation	20,783

NOTE 7 ASSETS HELD FOR SALE

In late October 2006 following a project review and strategy meeting in Dallas, the Board agreed to a management recommendation to sell the Consolidated Entity's Oklahoma properties as these were now not core to the future direction of the company. The sale process then commenced with data preparation and arrangement and the appointment of a selling agent. At 31 December 2006 the assets were classified as non-current assets held for sale. The first external marketing of the assets was at the North American Prospect Expo (NAPE) during early February 2007. The Oklahoma properties include the Ellis and Yukon projects which have several producing wells and an acreage position in north-east Oklahoma.

a) The results of the assets held for sale are presented below.

	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Revenue	1,148	1,280
Expenses	(870)	(11,499)
Profit/(loss) before income tax from assets held for sale	278	(10,219)
Tax expense	-	-
Net profit/(loss) after tax from assets held for sale	278	(10,219)

b) The major classes of assets and liabilities of the Oklahoma based operations at 31 December 2006, measured at the lower of carrying amount and fair value less costs to sell were as follows:

	31 December 2006 $'000
Assets	
Trade and other receivables	214
Inventory	7
Oil & gas properties (note 14)	4,517
Accumulated amortisation on oil and gas properties	(1,280)
Deferred exploration and evaluation expenditure (Note 15)	4,929
Assets classified as held for sale	8,387
Liabilities	
Trade Creditors	47
Liabilities directly associated with assets classified as held for sale	47

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 8 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit or loss for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Consolidated	
	6 months to 31 December 2006 $'000	12 Months to 30 June 2006 $'000
Net loss attributable to ordinary equity holders of the parent from continuing operations	(2,896)	(15,236)
Net profit attributable to ordinary equity holders of the parent from discontinued operations (Note 6)	-	20,783
Net profit attributable to ordinary equity holders of the parent (used in calculating basic and diluted earnings per share)	(2,896)	5,547

	31 December 2006 Thousands	30 June 2006 Thousands
Weighted average number of ordinary shares for basic earnings per share	158,501	160,305
Effect of dilution and accretion:		
Vested performance rights not yet exercised (2)	112	25
Share buy-backs (1)	(249)	(50)
Issue of new shares due to vesting of performance rights (3)	249	-
Weighted average number of ordinary shares adjusted for the effect of dilution	158,613	160,280

(1) There have been 249,000 (30 June 2006: 50,000) ordinary shares bought back and cancelled between the reporting date and the date of completion of these financial statements. The shares were bought back on-market and cancelled in order to match the issue of new shares resulting from the exercising of vested performance rights (See (2) below).

(2) On 23 February 2007 the Board determined that for the year ended 31 December 2006, 33% of the performance rights available for vesting at 31 December 2006 would vest as a result of performance hurdles being met. A total of 1,028,333 performance rights were eligible for vesting for the year ended 31 December 2006. As a result of the Board's determination, 339,350 performance rights vested and 688,983 lapsed.

(3) These shares were issued to employees who exercised performance rights that had vested as set out in point 2 above.

To calculate earnings per share amounts for the discontinued operation the weighted average number of ordinary shares for both basic and diluted earnings per share is as in the table above. The following table provides the profit figure used as the numerator:	Consolidated 6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Net profit attributable to ordinary equity holders of the parent from discontinued operations (Note 6).		
- for basic earnings per share	-	20,783
- for diluted earnings per share	-	20,783

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

		Consolidated		Parent	
		31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
NOTE 9	**CASH AND CASH EQUIVALENTS**				
	Cash at bank and on hand	5,466	5,809	5,336	4,727
	Short term deposits	12,832	28,100	11,875	28,100
		18,298	33,909	17,211	32,827

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between 1 and 3 months depending on the cash requirements of the Consolidated Entity. These deposits earn interest at the respective short term-deposit rates.

	Consolidated		Parent	
	6 months to 31 December 2006 $	12 months to 30 June 2006 $	6 months to 31 December 2006 $	12 months to 30 June 2006 $
Reconciliation of net profit/(loss) after tax to net cashflows				
Net profit/(loss)	(2,896)	5,547	(4,150)	15,154
Non-cash Items:				
Depreciation and amortisation	508	634	8	38
Exploration expenditure written off	-	5,251	-	30
Impairment of oil and gas properties	197	7,731	-	-
Finance costs	134	399	134	399
Share based payments	262	716	262	716
Gain on sale of property, plant and equipment	(6)	(93)	(6)	(270)
Gain on sale of subsidiary	-	(20,783)	-	(32,933)
Operating cashflow of discontinued operations prior to sale	-	4,316	-	-
Provision for non-recovery of loans to controlled entities	-	-	131	15,473
Expenses of on-market share buy-back	-	7	-	7
Foreign exchange movement	1,644	(1,622)	2,837	(1,127)
	-			
Change in operating assets and liabilities:	-			
Decrease/(increase) in receivables	155	(566)	88	(37)
(Decrease)/Increase in creditors and payables	(61)	(235)	106	(275)
Increase in provisions	39	54	41	13
(Decrease) in tax provision	-	(20)	-	-
Increase/(decrease) in deferred income tax liability	-	-	-	-
Net cash from operating activities	(24)	1,336	(549)	(2,812)

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities

For the Six Months Ended 31 December 2006

NOTE 10 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Current				
Trade receivables (i)	15	-	-	-
Other receivables (ii)	2,423	624	100	189
	2,438	624	100	189
Non-current				
Related party receivables (iii)	-	-	43,014	30,880
Provision for non-recovery of intercompany loans	-	-	(15,604)	(15,473)
	-	-	27,410	15,407

(i) Trade receivables are non-interest bearing and are generally 30-90 day terms.

(ii) Other receivables includes insurance claims and accrued interest.

(iii) For terms and conditions relating to related party receivables refer to note 25 (iii).

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
NOTE 11 INVENTORIES				
Inventory (materials) - at cost	-	7	-	-

There are no inventory write-downs recognised as an expense during the six month period ended 31 December 2006 (30 June 2006 $nil) for the Consolidated Entity or the Company.

NOTE 12 OTHER FINANCIAL ASSETS (NON-CURRENT)

Investments in controlled entities (note 25)	-	-	33	33

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Office equipment, vehicles and furniture - cost	661	646	409	418
Accumulated depreciation	(484)	(475)	(376)	(397)
Total Property, Plant and Equipment	177	171	33	21

Reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year:

Office equipment, vehicles and furniture				
Balance at start of period	171	211	21	52
Additions	57	61	20	12
Exchange differences from translation	(7)	4	-	-
Disposals - at cost	(30)	(111)	(30)	(111)
Depreciation	(44)	(101)	(8)	(39)
Disposals - accumulated depreciation	30	107	30	107
Balance at end of period	177	171	33	21

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 14 OIL AND GAS PROPERTIES

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Oil and gas properties				
- at cost	548	4,377	-	-
- accumulated amortisation	(190)	(1,039)	-	-
	358	3,338	-	-

Reconciliation

Reconciliation of carrying amounts of oil and gas properties at the beginning and end of the current financial year:

At Cost				
Balance at start of period	4,377	6,205	-	-
Additions	531	4,681	-	-
Impairment*	(197)	(7,731)	-	-
Transfer from exploration and evaluation	574	1,229	-	-
Transfer to assets held for sale	(4,517)	-	-	-
Foreign exchange translation	(220)	(7)	-	-
Balance at end of period	548	4,377	-	-
Accumulated amortisation				
Balance at start of period	(1,039)	(505)	-	-
Amortisation	(464)	(533)	-	-
Transfer to assets held for sale	1,280	-	-	-
Foreign exchange translation	33	(1)	-	-
Balance at end of period	(190)	(1,039)	-	-

*The $197,000 impairment loss recognised in the current period represents the write-down of certain oil and gas properties in the USA to recoverable amount. This has been recognised in the income statement in the line item "Expenses excluding finance costs". The recoverable amount was based on value in use and was determined at the cash-generating unit level. In determining value in use for the cash-generating unit, the cash flows were discounted at a rate of 10% on a pre-tax basis.

NOTE 15 DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Exploration and evaluation costs carried forward in respect of areas of interest:				
Exploration and/or evaluation phase	17,232	11,035	-	-

The ultimate recoupment of costs carried forward for the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

Reconciliation

Reconciliation of carrying amounts of exploration and evaluation expenditure at the beginning and end of the current financial year:

Balance at start of period	11,035	9,293	-	-
Additions	12,386	7,910	-	30
Transferred to oil and gas properties	(574)	(1,229)	-	-
Transfer to assets held for sale	(4,929)	-	-	-
Expenditure written off	-	(5,251)	-	(30)
Foreign exchange translation	(686)	312	-	-
Balance at end of period	17,232	11,035	-	-

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 16 SHARE OPTIONS & PERFORMANCE RIGHTS

Share Options

The parent entity has granted certain options that are exercisable in whole or in part on or before the expiry dates shown below. All options were issued at no cost. At balance date the following options remain to be exercised:

31 December 2006	Date of Grant	Date of Expiry	Note	$1.22 Options	$1.35 Options
	24 January 2003	24 January 2007	16(a)	100,000	-
	23 April 2003	23 April 2007		170,000	-
	1 July 2003	1 July 2007		-	1,500,000
	30 July 2003	30 July 2007		25,000	-
	12 December 2003	12 December 2007	16(a)	205,000	-
	13 July 2004	13 July 2008	16(a)	275,000	-
				775,000	1,500,000

30 June 2006	Date of Grant	Date of Expiry	Note	$1.22 Options	$1.35 Options
	11 November 2002	11 November 2006		400,000	-
	20 December 2002	20 December 2006	16(a)	315,000	-
	24 January 2003	24 January 2007	16(a)	100,000	-
	23 April 2003	23 April 2007		170,000	-
	1 July 2003	1 July 2007		-	1,500,000
	30 July 2003	30 July 2007		25,000	-
	12 December 2003	12 December 2007	16(a)	230,000	-
	13 July 2004	13 July 2008	16(a)	275,000	-
				1,515,000	1,500,000

The weighted average remaining contractual life for the share options outstanding as at 31 December 2006 is between 0 and 19 months (30 June 2006: 4 and 25 months).

The range of exercise prices for options outstanding at the end of the year was $1.22-$1.35 (30 June 2006: $1.22 - $1.35).

During the six months ended 31 December 2006:

(i) 400,000 $1.22 options expired unexercised on 11 November 2006;

(ii) 315,000 $1.22 options issued under the Employee Option Plan (see note 16(a)) expired unexercised on 20 December 2006;

(iii) 25,000 options issued under the Employee Option Plan (see note 16(a)) lapsed during the year.

(a) Employee Option Plan:

An employee option plan was approved by shareholders at the Company's Annual General Meeting on 7 November 2002.

This plan was terminated by the Board on 7 October 2004. Accordingly the Board cannot issue any further options under the plan. Under the plan, Antares Energy Limited, at the discretion of the Board, granted options to subscribe for ordinary shares in Antares Energy Limited to employees of the Consolidated Entity. The options, issued for nil consideration, were granted in accordance with guidelines established by the directors of Antares Energy Limited. The options were issued for a term of 4 years and vest one third on each of the first, second and third anniversary of the date of grant. The options cannot be transferred and will not be quoted on the ASX. As at 31 December 2006, the Consolidated Entity had 13 employees.

The fair value of each option is estimated on the date of grant using a Black-Scholes option-pricing model. No grants were made during the six months to 31 December 2006 or during the year ended 30 June 2006.

The fair value of an option issued under the Employee Option Plan is expensed in the financial statements. The amount expensed is based on the fair value of the option at grant date, amortised over the vesting period. In total, $98,000 is expensed in the financial statements for the six months to 31 December 2006 (year to 30 June 2006: $253,000) and disclosed in note 4 as part of share based payments of $262,000 (year to 30 June 2006: $716,000).

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 16 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

Share Options (Cont.)

Information with respect to the number of options held under the employee option plan is as follows:

		31 December 2006		30 June 2006	
		Number of options	Weighted average exercise price	Number of Options	Weighted average exercise price
Balance at beginning of period	16(b)(i)	920,000	$1.22	953,334	$1.22
- granted	16(b)(ii)	-	-	-	-
- lapsed		(25,000)	$1.22	(33,334)	$1.27
- expired		(315,000)	$1.22	-	
- exercised		-	-	-	-
Balance at end of period	16(b)(iii)	580,000	$1.22	920,000	$1.22
Exercisable at end of period (i.e. vested)		488,333	$1.22	660,000	$1.22

(i) Options held at the beginning of the reporting period

The following table summarises information about options held by employees at the beginning of the reporting period:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 1 July 2006	Number of Options 1 July 2005
13 July 2004	13 July 2008	$1.22	275,000	275,000
12 December 2003	12 December 2007	$1.22	230,000	246,667
28 August 2003	28 August 2007	$1.33	-	16,667
24 January 2003	24 January 2007	$1.22	100,000	100,000
20 December 2002	20 December 2006	$1.22	315,000	315,000
			920,000	953,334

(ii) Options granted during the reporting period

There were no options granted by Antares Energy Limited to employees during the six months to 31 December 2006 or the year to 30 June 2006.

(iii) Options held as at the end of the reporting period

The following table summarises information about options held by employees as at the end of the reporting period:

Date of Grant	Date of Expiry	Weighted average exercise price	Number of Options 31 December 2006	Number of Options 30 June 2006
13 July 2004	13 July 2008	$1.22	275,000	275,000
12 December 2003	12 December 2007	$1.22	205,000	230,000
24 January 2003	24 January 2007	$1.22	100,000	100,000
20 December 2002	20 December 2006	$1.22	-	315,000
			580,000	920,000

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 16 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

Performance Rights

At the Company's annual general meeting on 23 November 2004, shareholders approved a Performance Rights Plan. Under the plan the Board can determine the number of rights to be issued and the performance hurdles and performance period that govern the vesting of the rights.

The unvested performance rights on issue at 31 December 2006 were dependent on performance hurdles and service conditions and were to vest 33.33% on 31 December 2006 and 66.67% on 31 December 2007. The test date for vesting is around March of the following year, hence as at 31 December 2006 the 31 December 2006 vesting had not yet been determined.

On 26 February 2007 the Board of Antares Energy Limited announced that it had determined that for the year ended 31 December 2006, 33% of the performance rights available for vesting at 31 December 2006 had vested as a result of performance hurdles being met.

A total of 1,028,333 performance rights were eligible for vesting in relation to Company performance for the year ended 31 December 2006. As a result of the Board's determination, on 26 February 2007 339,350 performance rights vested and 688,983 lapsed.

The financial effect of the 26 February 2007 vesting is included in the share based payments expense to 31 December 2006.

		Hurdle Weighting
A)	Market capitalisation	20%
B)	Hydrocarbon production	25%
C)	Hydrocarbon reserves replacement	25%
D)	Finding and development costs	10%
E)	Earnings before interest, tax, depreciation, amortisation and exploration write-offs (EBITDAX)	10%
F)	Comparison of percentage growth in market capitalisation per annum with peer group of eight companies*	10%
		100%

*The peer group comprises of Arc Energy (ASX: ARQ), Amadeus Energy (ASX: AMU), Tomahawk (ASX: THK), Mosaic Oil (ASX: MOS), Petsec Energy (ASX: PSA), Roc Oil (ASX: ROC), Tap Oil (ASX: TAP) and Carrizo Oil and Gas (NASDAQNM: CRZO).

In accordance with the terms and conditions of the Performance Rights Plan, the parent entity has granted performance rights that are exercisable in whole or in part on or before the expiry date shown below. All rights were issued at no cost. At balance date the following rights remain to be exercised:

			Number of Rights		
	Date of Grant	Date of Expiry	Unvested	Vested	Total
31 December 2006	12 January 2005	12 January 2010	2,310,000	15,000	2,325,000
	6 October 2005	6 October 2010	487,500	6,250	493,750
	9 January 2006	9 January 2011	100,000	-	100,000
	4 May 2006	4 May 2011	187,500	-	187,500
			3,085,000	21,250	3,106,250
30 June 2006	12 January 2005	12 January 2010	2,407,500	17,500	2,425,000
	6 October 2005	6 October 2010	487,500	6,250	493,750
	9 January 2006	9 January 2011	137,500	1,250	138,750
	4 May 2006	4 May 2011	187,500	-	187,500
			3,220,000	25,000	3,245,000

Information with respect to the movement in the number of performance rights on issue under the Performance Rights Plan is as follows:

	31 December 2006	30 June 2006
Balance at beginning of period	3,245,000	3,340,000
- granted	-	987,500
- lapsed	(135,000)	(974,000)
- exercised*	(3,750)	(108,500)
Balance at end of period	3,106,250	3,245,000
Exercisable at end of period (i.e. vested)	21,250	25,000

*The weighted average share price at the day of exercising was $0.425

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 16 SHARE OPTIONS & PERFORMANCE RIGHTS (CONT.)

Performance Rights (Cont.)

Details of performance rights granted during the period are as follows:

Date of Grant	Date of Expiry	Fair Value at Grant Date	31 December 2006	30 June 2006
6 October 2005	6 October 2010	$0.49	-	650,000
9 January 2006	9 January 2011	$0.35	-	150,000
4 May 2006	4 May 2011	$0.36	-	187,500
			-	987,500

These rights are not quoted on ASX.

The Performance Rights Plan Rules are available on the Company's web site at www.antaresenergy.com.

The fair value of each right is estimated on the date of grant using a modified Black-Scholes model. The weighted average assumptions used for the grants made are as follows:

	Date of Grant		
	6 October 2005	9 January 2006	4 May 2006
Dividend yield	0%	0%	0%
Expected volatility	49.9%	52.0%	50.9%
Historical volatility	49.9%	52.0%	50.9%
Risk-free interest rate	5.23%	5.09%	5.78%
Expected life of the right	5 years	5 years	5 years
Spot price on grant date	$0.570	$0.430	$0.435

The dividend yield is assumed to remain at zero. The expected life of the right is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

Hurdles A and F are market related hurdles. As such the fair value of rights under these hurdles are calculated at grant date and have been priced accordingly using the modified Black-Scholes model. Hurdle F has also used a Monte Carlo simulation to determine the indicative value. Values also differ over the different vesting years.

Hurdles B to E are non-market related hurdles, and as per AASB 2 "Share-based Payments", no estimate of value impact has been incorporated into the valuation. As the dividend yield is zero, the value at grant is the spot price. The amount expensed in the financial statements is the fair value at the date of grant amortised over the vesting period of the right. For the non-market related performance hurdles (hurdles B to E), the number of rights used to calculate the expense is reduced to the number of rights that directors consider likely to vest as a result of the performance hurdles being met. Amounts expensed in previous years for rights that do not ultimately vest due to performance hurdles not being met are written back when expectations change as to whether the hurdles will be met.

For the six months to 31 December 2006, $164,000 (year to 30 June 2005: $463,000) was expensed in the financial statements and disclosed in note 4 as part of share based payments of $262,000 (year to 30 June 2006: $716,000).

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
NOTE 17 TRADE AND OTHER PAYABLES (CURRENT)				
Trade creditors and accruals	2,497	941	486	381

Trade creditors are non-interest bearing and generally payable within normal time frames for the industry.

Accruals include amounts payable as a result of cash calls made by operators of non-operated projects for upcoming capital expenditure such as wells.

NOTE 18 INTEREST-BEARING LOANS AND BORROWINGS

Convertible Notes

Current	-	9,866	-	9,866
Non-Current	9,364	-	9,364	-

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 18 INTEREST-BEARING LOANS AND BORROWINGS (Cont.)

Convertible Notes (Cont.)

On 31 October 2003 the Company issued 5,000,000 unsecured convertible notes at $2 each. The convertible notes are a compound financial instrument comprising both an equity component and a debt component. At the time of issue the convertible notes were classified $800,000 as equity component and $9,200,000 as debt component. By the first reset date of 31 October 2006 the debt component had increased to the full liability amount of $10,000,000 (at 30 June 2006: $9,866,000) by the addition of implicit interest charges (Note 4).

At the reset date of 31 October 2006, 30,565 notes were redeemed for $61,130 (30,565 notes at $2.00 each). Effectively the holders of the remaining 4,969,435 notes elected to renew their terms and conditions at the reset date. For accounting purposes this is treated as if the 4,969,435 notes were a new issue of notes, being a compound financial instrument comprising both an equity component and a debt component based on an estimated interest rate for similar debt without conversion options of 12.34% per annum. At 31 October 2006 the convertible notes were classified $575,000 as equity component and the balance of $9,364,000 as debt component. Implicit interest is charged on a straight line basis over the three year period to the next reset date of 31 October 2009 at which time noteholders can elect to redeem their notes for $2 each.

The reset terms at 31 October 2006 were the same as the existing terms being:

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

The notes mature on 30 October 2013. As the next reset date, when noteholders can elect to redeem their notes is greater than 12 months away, the liability is classified as non-current. At 30 June 2006 the liability was classified as current as noteholders had the ability to redeem at 31 October 2006.

	Consolidated		Parent	
	31 December 2006	30 June 2006	31 December 2006	30 June 2006
NOTE 19 PROVISIONS (CURRENT)	$'000	$'000	$'000	$'000
Employee leave benefits	167	128	122	81
Employee Leave Benefits Provision Reconciliation of Movements				
Opening balance 1 July 2006 (1 July 2005)	128	75	81	68
Arising during the period	106	188	57	117
Utilised	(64)	(122)	(14)	(91)
Unused amounts reversed	(3)	(13)	(2)	(13)
Closing balance 31 December 2006 (30 June 2006)	167	128	122	81
NOTE 20 CONTRIBUTED EQUITY				
Issued and paid up capital:				
Fully paid ordinary shares	59,682	59,703	59,682	59,703

The only shares the Company has on issue are fully paid ordinary shares. These shares have the right to receive dividends as declared and, in the event of a winding up of the Company, to participate in the proceeds of the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle the holder to one vote, either in person or by proxy, at a meeting of the Company.

Effective 1 July 1998, the Corporations Legislation in place abolished the concepts of authorised capital and par value shares. Accordingly the parent does not have authorised capital nor par value in respect of its issued shares.

	6 months to 31 December 2006		12 months to 30 June 2006	
	No. of shares	$'000	No. of shares	$'000
Movement in ordinary shares on issue:				
Beginning of the period	158,550,000	59,703	159,878,586	60,175
Shares issued on exercise of $0.50 options	-	-	1,000,000	500
Shares issued for nil consideration as a result of the exercise of vested performance rights	3,750	-	108,500	-
Shares bought back on-market	(53,750)	(21)	(2,437,086)	(972)
End of the period	158,500,000	59,682	158,550,000	59,703

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) *Cash flow interest rate risk*

The Consolidated Entity's exposure to interest rate risk is minimal as it has no borrowings with variable interest rates. The interest rate on the convertible notes is fixed at 10% per annum with a possible reset at 31 October 2009. If the rate is reset, the new rate will be fixed until the next reset date, which at this stage has not been set.

(b) *Credit risk*

The Consolidated Entity's maximum exposure to credit risk is limited to the carrying value of the financial assets, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

The Consolidated Entity does not have any material credit risk to any single debtor group or group of debtors under financial arrangements entered into by the Consolidated Entity.

There are no derivative contracts in place.

(c) *Fair value*

The fair values of all monetary financial assets and liabilities approximate their carrying values. No financial assets or financial liabilities are readily traded on organised markets in standardised form.

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and in the notes to and forming part of the financial statements.

(d) *Foreign exchange risk*

The Consolidated Entity's main operations are in the USA with a corporate office maintained in Australia. This raises three exposures to foreign exchange risk:

1. Transactional risk. Apart from relatively small ongoing general and administration expenses and the interest on the convertible notes, the significant exploration and development expenditure in the future will be in United States dollars (USD). The majority of cash reserves are currently held in USD with a small balance maintained in Australian dollars (AUD) to cover the corporate office expenses and short term interest payments. This seeks to mitigate the transactional currency risks of operating in the USA.

2. The Convertible note liability is denominated in Australian dollars. As at 31 December 2006, the next possible redemption by noteholders or the Company is at the reset date of 31 October 2009. At the next reset date of 31 October 2009 noteholders may be offered amended terms (interest rate, conversion rate and next reset date). At this stage it is not possible to predict what those amended terms may be, therefore the repayment commitment is not firm in either value or timing. When there is a firm commitment to repay the liability, a foreign exchange contract may be entered into in order to fix the AUD funds required.

3. The Consolidated Entity's balance sheet can be affected significantly by movements in the USD/AUD exchange rates. The Consolidated entity does not seek to hedge this exposure at this time.

At 31 December 2006 the Consolidated Entity had no forward foreign exchange contracts in place.

(e) *Liquidity risk*

The Consolidated Entity has sufficient available funds to meet its financial commitments. Apart from the convertible notes there are no borrowings at 31 December 2006.

(f) *Commodity risk*

The Consolidated Entity does not hedge commodity prices for future oil and gas production.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities

For the Six Months Ended 31 December 2006

NOTE 22 FINANCIAL INSTRUMENTS

(a) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk at 31 December 2006.

31 DECEMBER 2006	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	FLOATING INTEREST RATE	FIXED INTEREST RATE MATURING IN 1 YEAR OR LESS	FIXED INTEREST RATE MATURING IN > 2 YEARS BUT < 3 YEARS	NON INTEREST BEARING	TOTAL
	%	$'000	$'000		$'000	$'000
Consolidated						
FINANCIAL ASSETS						
Cash and cash equivalents	5.0	5,464	12,832	-	2	18,298
Trade and other receivables		-	-	-	2,438	2,438
Non-current assets classified as held for sale		-	-	-	214	214
		5,464	12,832	-	2,654	20,950
FINANCIAL LIABILITIES						
Trade and other payables		-	-	-	2,497	2,497
Convertible Notes	10	-	-	9,364	-	9,364
Liabilities directly associated with the assets classified as held for sale		-	-	-	47	47
		-	-	9,364	2,544	11,908
Net Financial Assets		5,464	12,832	(9,364)	110	9,042
Parent						
FINANCIAL ASSETS						
Cash and cash equivalents	5.2	5,334	11,875	-	2	17,211
Trade and other receivables		-	-	-	100	100
Non-current trade and other receivables		-	-	-	27,424	27,424
		5,334	11,875	-	27,526	44,735
FINANCIAL LIABILITIES						
Trade and other payables		-	-	-	486	486
Convertible Notes	10	-	-	9,364	-	9,364
		-	-	9,364	486	9,850
Net Financial Assets		5,334	11,875	(9,364)	27,040	34,885

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 22 FINANCIAL INSTRUMENTS (CONT.)

30 JUNE 2006	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	FLOATING INTEREST RATE	FIXED INTEREST RATE MATURING IN 1 YEAR OR LESS	NON INTEREST BEARING	TOTAL
	%	$'000	$'000	$'000	$'000
Consolidated					
FINANCIAL ASSETS					
Cash and cash equivalents	4.9	5,566	28,100	243	33,909
Trade and other receivables		-	-	624	624
		5,566	28,100	867	34,533
FINANCIAL LIABILITIES					
Trade and other payables		-	-	941	941
Convertible Notes	10	-	9,866	-	9,866
Net Financial Assets		5,566	18,234	(74)	23,726
Parent					
FINANCIAL ASSETS					
Cash and cash equivalents	4.9	4,726	28,100	1	32,827
Trade and other receivables		-	-	189	189
Non-current trade and other receivables		-	-	15,407	15,407
		4,726	28,100	15,597	48,423
FINANCIAL LIABILITIES					
Trade and other payables		-	-	381	381
Convertible Notes	10	-	9,866	-	9,866
		-	9,866	381	10,247
Net Financial Assets		4,726	18,234	15,216	38,176

NOTE 23 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES

There are no outstanding commitments or contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 31 December 2006 other than:

(a) Exploration Commitments

Estimated expenditures at reporting date, committed to but not provided for, including:

i) commitments to maintain rights of tenure to its petroleum exploration permits being permit rentals and minimum expenditure obligations; and

ii) commitments under farmin agreements, participation agreements and joint operating agreements.

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Not later than one year	4,953	2,872	50	-
Later than one year but not later than 5 years	207	-	61	-
	5,160	2,872	111	-

These commitments may vary according to whether:

(i) any of the existing permits are relinquished or converted to other forms of title;
(ii) any of the existing permits are farmed out or sold;
(iii) any new permits are acquired; and
(iv) existing permit expenditure conditions are varied.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 23 COMMITMENTS FOR EXPENDITURE AND CONTINGENCIES (Cont.)

(b) Operating Lease Commitments – Consolidated Entity as a Lessee

The Consolidated Entity has non-cancellable operating leases for office premises in Perth and Dallas and office equipment.

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Minimum lease payments:				
Not later than one year	132	143	51	59
Later than one year but not later than 5 years	144	216	61	84
Total	276	359	112	143

(c) Contingent Assets and Liabilities

On 28 October 2005 the Company completed the sale of 100% of the share capital of Amity Oil International Pty Ltd., its wholly owned subsidiary to Zorlu Petrogas ("Zorlu"). The principal asset of this subsidiary was a 50% interest in the Thrace joint venture in Turkey which contained the Gocerler, Adatepe and Cayirdere gas fields.

Under the sale agreement:

a) The Company is entitled to up to an additional USD 4.4 million over the 24 months from 28 October 2005 if eight nominated exploration prospects are successful discoveries or are not drilled within the 24 month time frame. 50% of each of the eight success fees (total USD 2.2 million) is covered by a letter of credit.

b) The Company has provided commercial warranties and indemnities to Zorlu.

c) On 9 February 2007 the Company received a letter from Zorlu alleging four breaches of warranties and claiming a total of USD 665,564. The Company has written to Zorlu requesting clarification, in English, of the full nature of the alleged breaches and the factual circumstances asserted as giving rise to them. Once this information is received, the Company can consider its response to the alleged breaches. Zorlu has the right to set off any amount validly claimed under the sale agreement against the 50% of the success fee payable that is not covered by the letter of credit.

NOTE 24 INTEREST IN JOINTLY CONTROLLED OPERATIONS

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
The Consolidated Entity has interests in various unincorporated joint ventures. The share of assets, liabilities, revenues and expenses of the jointly controlled operations, which are included in the financial statements, are as follows:				
CURRENT ASSETS				
Trade and other receivables	2,072	237	-	-
Non-current assets classified as held for sale	997	-	-	-
Total current assets	3,069	237	-	-
NON-CURRENT ASSETS				
Oil and Gas Properties	347	894	-	-
Deferred exploration and evaluation expenditure	17,232	6,751	-	-
Total non-current assets	17,579	7,645	-	-
TOTAL ASSETS	20,648	7,882	-	-
CURRENT LIABILITIES				
Trade and other payables	1,964	195	-	-
Liabilities directly associated with the assets classified as held for sale	26	-	-	-
Total current liabilities	1,990	195	-	-
TOTAL LIABILITIES	1,990	195	-	-
NET ASSETS	18,658	7,687	-	-

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 24 INTEREST IN JOINTLY CONTROLLED OPERATIONS (CONT.)

	Consolidated		Parent	
	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Revenues	608	637	-	-
Expenses	(483)	(4,788)	-	-
PROFIT/(LOSS) BEFORE TAX	125	(4,151)	-	-
Income tax expense	-	-	-	-
Net profit/(loss) after tax	125	(4,151)	-	-

(i) There are no outstanding commitments or contingent liabilities specific to the joint ventures not provided for in the financial statements of the Consolidated Entity as at 31 December 2006 other than estimated exploration expenditures at reporting date, committed to but not provided for, including:

- commitments to maintain rights of tenure to its petroleum exploration permits being permit rentals and minimum expenditure obligations; and
- commitments under farmin agreements, participation agreements and joint operating agreements

	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Not later than one year	4,821	2,872	-	-
Later than one year but not later than 5 years	-	-	-	-
	4,821	2,872	-	-

These commitments may vary according to whether:

(a) any of the existing permits are relinquished or converted to other forms of title;
(b) any of the existing permits are farmed out or sold;
(c) any new permits are acquired; and
(d) existing permit expenditure conditions are varied.

(ii) At 31 December 2006 the Consolidated Entity held the following interests in oil and gas production and exploration joint ventures:

	Working Interest	
Joint Venture	**31 Dec 2006**	**30 June 2006**
Section 3 – Ellis County, Oklahoma*	91.6%	91.6%
Section 10 – Ellis County, Oklahoma*	79.5%	79.5%
Section 34 – Ellis County, Oklahoma*	92.9%	92.9%
Yukon 1 & 2 – Beaver County, Oklahoma*	87.5%	87.5%
Kelln Trust 5-1 – Ellis County, Oklahoma*	34.0%	34.0%
Kelln 94-1 – Lipscomb County, Texas*	18.9%	18.9%
Porter's Creek – Wharton County, Texas	25.0%	25.0%
Wilbeck – Wharton County, Texas	30.0%	30.0%
Kenedy Ranch (Group A) – Kenedy County, Texas	5.0%	5.0%
Kenedy Ranch (Group B) – Kenedy County, Texas	50.0%	50.0%
Shaeffer Ranch – Jim Wells, Live Oak and Duvall Counties, Texas	50.0%	50.0%
Oyster Creek – Brazoria County, Texas	75.0%	75.0%
Lonesome Dove – Jim Wells County, Texas**	50.0%	-
Yellow Rose – McMullen County, Texas	50.0%	-
New Taiton – Wharton County, Texas	25.0%	-
Little Bear – Victoria County, Texas	23.5%	-

*Joint venture assets held for sale.
* *The Lonesome Dove joint venture evolved out of the Shaeffer Ranch joint venture.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 24 INTEREST IN JOINTLY CONTROLLED OPERATIONS (CONT.)

(iii) Principal activities of jointly controlled operations

Petroleum exploration and production is the principle activity of all of the joint ventures that the Consolidated Entity is a participant in at 31 December 2006. All joint operations are located onshore in either Texas or Oklahoma, USA.

NOTE 25 RELATED PARTY DISCLOSURES

(i) ULTIMATE PARENT

Antares Energy Limited is the ultimate parent company.

(ii) CONSOLIDATED ENTITY

At year end the Consolidated Entity consisted of the subsidiaries listed in the following table:

	Country of Incorporation	Class of Share	% Equity interest 31 December 2006	% Equity interest 30 June 2006	Investment ($'000) 31 December 2006	Investment ($'000) 30 June 2006
Controlled entities of Antares Energy Limited:						
International Oil and Gas Services B.V.	Netherlands	Ord Shares	100	100	33	33
Southern Amity Limited	Australia	Ord Shares	-	100	-	-
Santa Energy Pty Ltd	Australia	Ord Shares	100	100	-	-
					33	33
Controlled entities of Santa Energy Pty Ltd:						
Antares Energy Company	USA	Common Stock		100		

During the six months ended 31 December 2006:

(a) Southern Amity Limited was deregistered.

(b) The process to voluntarily deregister International Oil and Gas Services B.V. continued.

During the financial year ended 30 June 2006:

(a) Amity Oil International Pty Ltd was sold. Refer to note 6.

(b) An application was made to voluntarily deregister Southern Amity Limited.

(c) An application was made to voluntarily deregister International Oil and Gas Services B.V..

(d) Bonaparte Gulf Oil & Gas Pty Ltd was deregistered.

(e) Latrobe Oil & Gas Pty Ltd was deregistered.

(iii) WHOLLY OWNED GROUP TRANSACTIONS

Transactions between Antares Energy Limited and other entities in the wholly-owned group during the six months ended 31 December and the year ended 30 June 2006 consisted of:

(a) loans advanced by Antares Energy Limited. No interest was charged on these during the period;
(b) loans repaid to Antares Energy Limited;
(c) Roebuck Resources, Inc repaid its Preferred Stock class of capital to Antares Energy Limited;
(d) debt forgiveness within the wholly-owned group;
(e) the charging of employee time and other costs of wholly-owned controlled entities to other wholly-owned controlled entities on a commercial basis;
(f) the sale of Amity Oil International Pty Ltd involved the payment of a dividend and capitalisation of the loan account payable to Antares Energy Limited at completion of the transaction; and
(g) investments in wholly-owned controlled entities.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 25 RELATED PARTY DISCLOSURES (CONT.)

(iii) WHOLLY OWNED GROUP TRANSACTIONS (CONT.)	Parent	
	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Aggregate amounts included in the determination of net profit/(loss) before income tax that resulted from transactions with entities in the wholly-owned group:		
Recovery of costs	682	1,948
Dividends received from subsidiary	-	14,441
Aggregate amounts receivable from entities in the wholly-owned group at balance date:		
Antares Energy Company	25,372	18,687
Santa Energy Pty Ltd	17,642	12,193
Total due	43,014	30,880
Provision for non-recovery	(15,604)	(15,473)
	27,410	15,407

The amounts due from entities within the group are currently non-interest bearing and have no set repayment terms.

NOTE 26 EVENTS AFTER THE BALANCE SHEET DATE

No matter or circumstance has arisen since 31 December 2006 that has significantly affected or may significantly affect the operations, results or state of affairs of the Consolidated Entity in the following or future years except for the following:

Little Bear Project

On 31 January the Company announced to the ASX that the Garcitas Ranch C-1 well had reached a final TD of 13,030 feet. From the interpretation of wireline logs the Company reported that the Middle Wilcox main target had encountered gas sands in line with pre-drill expectations and the Upper Wilcox secondary target had encountered significant gas sands which exceeded pre-drill expectations. The Operator of the project is currently testing the well.

The first development well on the project, Garcitas Ranch C-2, commenced on 6 March 2007. The Company anticipates that a number of additional wells will be required to develop this field.

Oyster Creek Project

a) Harrison-1 Well

The Company announced to the ASX on 8 January 2007 that the Harrison-1 well had drilled to a depth of 12,805 feet. From wireline logs it was interpreted that a number of gas charged sands with good porosity and permeability had been encountered that were coincident with strong gas shows encountered while drilling. After some addition technical information was processed and evaluated, the decision by the joint venture was made to complete the well and casing was run. Production testing to date indicates that the initial production will be in line with expectations.

b) Scott-2 Well

As a result of the success in Harrison-1, a follow-up well on the Oyster Creek project was immediately drilled using the same rig. The Company reported to the ASX on 28 February 2007 that the well had reached a total depth of 12,800 feet and wireline logs had been run. This well will be production tested after the conclusion of testing at Harrison-1.

Convertible Notes

A meeting of noteholders was held on 30 January 2007 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.

On 1 February 2007 the Company raised $6,183,600 through the issue of 3,091,800 convertible notes at $2 each. The new convertible notes were issued under the same terms and conditions as the existing convertible notes (quoted as AZZG), thus increasing the total number of AZZG convertible notes on issue to 8,061,235.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 26 EVENTS AFTER THE BALANCE SHEET DATE (Cont.)

Performance Rights

On 26 February 2007 the Board of Antares Energy Limited announced that it had determined that for the year ended 31 December 2006, 33% of the performance rights available for vesting at 31 December 2006 had vested as a result of performance hurdles being met.

A total of 1,028,333 performance rights were eligible for vesting in relation to Company performance for the year ended 31 December 2006. As a result of the Board's determination, 339,350 performance rights vested and 688,983 lapsed.

On 26 February 2007 248,600 of the newly vested rights were exercised, resulting in 248,600 new shares being issued. 248,600 shares were subsequently bought back on-market and cancelled to match the new issue.

NOTE 27 AUDITOR'S REMUNERATION

The auditor of Antares Energy Limited is Ernst & Young.	Consolidated		Parent	
	31 December 2006 $'000	30 June 2006 $'000	31 December 2006 $'000	30 June 2006 $'000
Amounts received or due and receivable by Ernst & Young Australia in relation to the entity or any other entity in the Consolidated Entity:				
- an audit or review of the financial report	95	103	95	95
- other assurance services	20	82	20	82
- tax and compliance services	74	224	74	224
	189	409	189	401

NOTE 28 DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Key Management Personnel

(i) *Directors*

R.A. Elliott	Chairman (non-executive)
F.D. Campbell	Director (non-executive)
W.R.B. Hassell	Director (non-executive)
H.M. McLaughlin	Managing Director and Chief Executive Officer
J.A. Cruickshank	Director (executive)

(ii) *Executives*

D.J. Rich	Company Secretary and Chief Financial Officer
D.M. Scull	Vice President – New Ventures and acting General Manager - USA

There were no changes in the key management personnel between the end of the financial year and the date of this report.

(b) Remuneration of Key Management Personnel

(i) *Compensation of Key Management Personnel for six months to 31 December 2006 (Consolidated)*

Certain disclosures that relate to compensation of key management personnel are contained in the Remuneration Report section of the Directors Report. The company has applied the exemption under Corporations Amendments Regulation 2006 which exempts listed companies from providing remuneration disclosures in relation to their key management personnel in their annual financial reports required by Accounting Standard AASB 124 Related Party Disclosures. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report designated as audited.

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 28 DIRECTOR AND EXECUTIVE DISCLOSURES (CONT.)

(b) Remuneration of Key Management Personnel (Cont.)

(ii) Performance rights holdings of Key Management Personnel

There was no movement in vested or unvested performance rights held by key management personnel during the period to 31 December 2006. Movements during the year to 30 June 2006 were as follows:

Unvested Performance Rights Holdings of Directors and Executives

30 June 2006	Total Number on Issue at 1 July 2005	Total Number Granted During the Year	Total Number Vested During the Year	Total Number Lapsed During the Year	Total Number on Issue at 30 June 2006
Directors					
H.M. McLaughlin	1,000,000	-	(25,000)	(225,000)	750,000
J.A. Cruickshank	600,000	-	(15,000)	(135,000)	450,000
Executives					
D.J. Rich	600,000	100,000	(15,000)	(135,000)	550,000
D.M. Scull	600,000	-	(15,000)	(135,000)	450,000
Total:	2,800,000	100,000	(70,000)	(630,000)	2,200,000

Vested Performance Rights holdings of Directors and Executives

30 June 2006	Total Number on Issue at 1 July 2005	Total Number Vested During the Year	Total Number Exercised During the Year	Total Number on Issue At 30 June 2006
Specified Directors				
H.M. McLaughlin	-	25,000	(25,000)	-
J.A. Cruickshank	-	15,000	(15,000)	-
Specified Executives				
D.J. Rich	-	15,000	(15,000)	-
D.M. Scull	-	15,000	-	15,000
Total:	-	70,000	(55,000)	15,000

(iii) Compensation by Category: Key Management Personnel

	Consolidated		Parent	
	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000	6 months to 31 December 2006 $'000	12 months to 30 June 2006 $'000
Short-Term	620,228	1,252,996	491,223	988,819
Post Employment	23,305	44,967	23,305	44,967
Share-based Payments	202,577	558,007	164,796	457,601
	846,110	1,855,970	679,324	1,491,387

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 28 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(b) Remuneration of Key Management Personnel (Cont.)

(iv) Option holdings of Key Management Personnel (Consolidated)

No options were granted to key management personnel during the six months to 31 December 2006 or the year to 30 June 2006.

The following tables outline options held by key management personnel during the period:

31 December 2006	Balance at beginning of period 1 July 2006	Options Exercised	Options Lapsed	Net change Other	Balance at end of period 31 Dec 2006	Vested at 31 December 2006* Total
Directors						
F.D. Campbell	400,000	-	(400,000)	-	-	-
H.M. McLaughlin	1,500,000	-	-	-	1,500,000	1,500,000
Executives						
D.J. Rich	375,000	-	(275,000)	-	100,000	100,000
D.M. Scull	275,000	-	-	-	275,000	183,333
Total	2,550,000	-	(675,000)	-	1,875,000	1,783,333

* All options vested at 31 December 2006 are exercisable.

30 June 2006	Balance at beginning of period 1 July 2005	Options Exercised	Options Lapsed	Net change Other	Balance at end of period 30 June 2006	Vested at 30 June 2006* Total
Directors						
R.A. Elliott	400,000	-	(400,000)	-	-	-
F.D. Campbell	400,000	-	-	-	400,000	400,000
H.M. McLaughlin	1,500,000	-	-	-	1,500,000	1,000,000
J.A. Cruickshank^	1,000,000	(1,000,000)	-	-	-	-
Executives						
D.J. Rich	375,000	-	-	-	375,000	341,666
D.M. Scull	275,000	-	-	-	275,000	91,666
Total	3,950,000	(1,000,000)	(400,000)	-	2,550,000	1,833,332

* All options vested at 30 June 2006 were exercisable.
^ The options held and exercised by Mr Cruickshank were not remuneration options, the options were purchased on an arms length basis. The options were exercised during the year at 50 cents each.

(v) Shareholdings of Key Management Personnel (Consolidated)

31December 2006	Balance 1 July 06	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 31 Dec 06
Directors					
R.A. Elliott	2,045,000	-	-	455,000	2,500,000
F.D. Campbell	125,000	-	-	-	125,000
W.R.B. Hassell	165,000	-	-	25,000	190,000
H.M. McLaughlin	1,042,000	-	-	105,500	1,147,500
J.A. Cruickshank	5,860,000	-	-	480,000	6,340,000
Executive					
D.J. Rich	117,279	-	-	92,985	210,264
Total	9,354,279	-	-	1,158,485	10,512,764

Notes to the Financial Statements

Antares Energy Limited and its Controlled Entities
For the Six Months Ended 31 December 2006

NOTE 28 DIRECTOR AND EXECUTIVE DISCLOSURES (Cont.)

(b) Remuneration of Key Management Personnel (Cont.)

(v) Shareholdings of Key Management Personnel (Consolidated) (Cont.)

30 June 2006	Balance 1 July 05	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 06
Directors					
R.A. Elliott	320,000	-	-	1,725,000	2,045,000
F.D. Campbell	125,000	-	-	-	125,000
W.R.B. Hassell	65,000	-	-	100,000	165,000
H.M. McLaughlin	122,000	-	-	920,000	1,042,000
J.A. Cruickshank	4,825,000	-	1,000,000	35,000	5,860,000
Executive					
D.J. Rich	33,229	-	-	84,050	117,279
Total	5,490,229	-	1,000,000	2,864,050	9,354,279

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arms length.

(vi) Convertible Note holdings of Key Management Personnel (Consolidated)

As at 31 December 2006 the following Key Management Personnel held convertible notes:

31December 2006	Balance 1 July 2006	Net Change Other	Balance 31 Dec 2006
Directors			
R.A. Elliott	127,000	402,634	529,634
W.R.B. Hassell	15,000	-	15,000
H.M. McLaughlin	24,060	-	24,060
Executive			
D.J. Rich	5,400	2,460	7,860
Total	171,460	405,094	576,554

30 June 2006	Balance 1 July 2005	Net Change Other	Balance 30 June 2006
Directors			
R.A. Elliott	112,000	15,000	127,000
W.R.B. Hassell	15,000	-	15,000
H.M. McLaughlin	24,060	-	24,060
Executive			
D.J. Rich	5,400	-	5,400
Total	156,460	15,000	171,460

All transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Consolidated Entity would have adopted if dealing at arms length.

(vii) Loans to Key Management Personnel

During the six months ended 31 December 2006 and year ended 30 June 2006 there were no loans made to any Key Management Personnel and there were no loans outstanding as at 31 December 2006 or 30 June 2006.

(viii) Other transactions and balances with Key Management Personnel

During the year to 30 June 2006 and the six months to 31 December 2006 there were no transactions with Key Management Personnel other than those described above. At 30 June 2006 and 31 December 2006 there were no balances outstanding in relation to Key Management Personnel other than those described above and in the Remuneration Report.

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:

(1) In the opinion of the directors:

(a) the financial statements and notes of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and Consolidated Entity's financial position as at 31 December 2006 and of their performance for the six month period ended on that date; and

(ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 31 December 2006.

On behalf of the Board.

R.A. ELLIOTT
Chairman

West Perth, Western Australia
16 March 2007

Ernst & Young

The Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000
Australia

GPO Box M939
Perth WA 6843

Tel 61 8 9429 2222
Fax 61 8 9429 2436

Independent auditor's report to members of Antares Energy Limited

We have audited the accompanying financial report of Antares Energy Limited and the entities it controlled during the six months, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the six months ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" on pages 5 to 8 of the directors' report, as permitted by Corporations Regulation 2M.6.04.

Directors' Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes oversight of the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party*

Disclosures.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit we have met 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. In addition to our audit of the financial report and the remuneration disclosures, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion
In our opinion:

1. the financial report of Antares Energy Limited is in accordance with:

(a) the Corporations Act 2001, including:
  (i) giving a true and fair view of the financial position of Antares Energy Limited at 31 December 2006 and of its performance for the six months ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

2. the remuneration disclosures that are contained on pages 5 to 8 of the directors' report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin A. Buckingham
Partner
Perth
16 March 2007