



**ANTARES ENERGY LIMITED**

**ACN 009 230 835**

c/- Level 29, 201 Elizabeth Street  
Sydney NSW 2000

24 May 2018

ASX Market Announcements  
ASX Limited  
Perth WA 6000

**By electronic lodgement**

### **CONSOLIDATED ACTIVITIES REPORT – PROPOSED BUSINESS STRATEGY**

The Board of Antares Energy Limited (**Company**) confirms that the status of its assets and the proposed business strategy of the Company remains the same as it appeared in section 3 of the Prospectus lodged with ASIC and the ASX on 11 April 2018.

Please find **attached** section 3 of the Prospectus setting out the Company's proposed business strategy.

If you have any queries relating to the above, please contact the Company Secretary on +61 2 8072 1400.

## SECTION 3: COMPANY AND PROJECTS OVERVIEW

### 3.1 Overview

Antares is an ASX-listed oil and gas producer with production and exploration oil assets in the Permian Basin within the Dawson County, Texas, USA. The Company's assets here are collectively referred to as "Big Star".

The company has 5 wellbores (including 2 producing wells), 240 gross acres of held by production (HBP) acreage and 1,747 net acres of exploration acreage as at 1 April 2018 where a significant portion (including 4 wellbores) is owned 100% and Operated by Antares. The Company does not currently carry any hydrocarbon reserves or resources associated with these land holdings.

### 3.2 Antares strategy

Antares will seek to add shareholder value via both organic and inorganic growth.

At Big Star, Antares will aim to optimise production from its existing wells, evaluate the prospectivity in the exploration acreage for further (contingent) drilling and will investigate opportunities to renew current leases and/or expand its holdings in the immediate area for low or zero cost by leveraging its current high working interests and/or introducing new investors to the Project.

In addition to the prudent management of its existing portfolio, Antares will actively seek inorganic growth opportunities through the acquisition of oil and gas assets both in the USA and in other jurisdictions. Target opportunities will be well-priced and within proven hydrocarbon regions, ideally where the Company may have a competitive advantage.

### 3.3 Proposed use of funds

If the full amount of **\$1,650,000** is raised from the Public Offer, the Company intends to apply the funds (in addition to the \$376,875 raised by the First Placement, which took place on 9 April 2018) as follows:

**Table 1: Proposed Use of Funds**

Proposed use of funds	Year 1	Year 2	Total
Oil and gas exploration/production/renewal	220,000	290,000	510,000
Review of new projects	175,000	195,000	370,000
<b>Sub-total</b>	<b>395,000</b>	<b>485,000</b>	<b>880,000</b>
Payment to the Creditors Trust <sup>(a)</sup>	500,000	-	500,000
Working capital <sup>(b)</sup>	400,000	246,875	646,875
<b>Total</b> <sup>(c)</sup>	<b>1,295,000</b>	<b>731,875</b>	<b>2,026,875</b>

#### Notes:

<sup>(a)</sup> The Company will use the Cash Consideration of \$500,000 as repayment of loan funds arranged by the Syndicate for payment to the Deed Administrators to satisfy obligations under the DOCA.

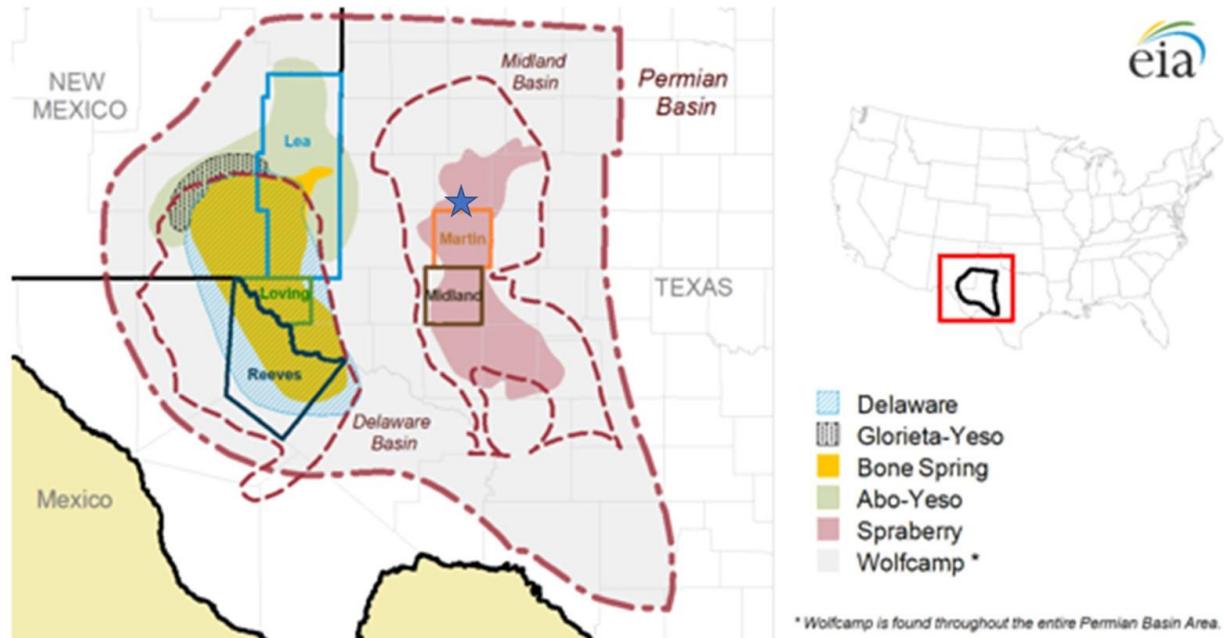
<sup>(b)</sup> This includes expenses associated with the Proposed Recapitalisation to be repaid to the Syndicate.

<sup>(c)</sup> The total expenditure includes the capital raised from the First Placement of First Placement Shares and First Placement Options to members of the Syndicate (or its nominees) which was completed on 9 April 2018 and raised \$376,875 and the Public Offer which will raise up to \$1,650,000.

### 3.4 Big Star project location: Midland Basin, Permian Basin Province, Texas

The Big Star project is located in the northern Midland Basin, which lies within the Permian Basin Province in Texas. The approximate location is marked by the blue star, in Figure 1 below.

**Figure 1 : Permian Basin Province**



Texas leads the United States of America in crude oil reserves and production, with annual oil production of almost 1.26 billion barrels, more than 36% of all U.S. crude oil proved reserves and accounting for more than 46% of active drilling rigs<sup>1,2,3</sup>. More than 25% of the US's 100 largest oil fields by reserves are located in Texas, mostly in the Permian Basin.<sup>4</sup>

Since 1920, the Permian Basin Province has produced over 30 billion barrels of oil and more than 75 TCF of gas<sup>5</sup> from a number of different conventional and unconventional formations, including the Yates, San Andres, Clear Fork, Spraberry, Wolfcamp, Yeso, Bone Springs, Avalon, Canyon, Morrow, Devonian, and Ellenberger. Production depths range from a few hundred metres to 8,000 metres below the surface.<sup>6</sup>

Increased use of enhanced-recovery practices in the Permian Basin has resulted in a substantial impact on U.S. oil production. In January 2018, the US Energy Information Agency (EIA) reported oil production in excess of 2.5 million barrels per day (almost 1.7 million barrels per day from fields in Texas).<sup>7,8</sup> The EIA predicts that the Permian region will produce 3.6 million barrels of oil per day by the end of 2019.<sup>9</sup>

The Permian Basin is one of the largest and most structurally complex regions in North America consisting of several sub-basins and platforms that make up one of the world's thickest deposits of

<sup>1</sup>U.S. EIA, Crude Oil Proved Reserves, Reserve Changes, and Production, Proved Reserves as of 12/31, Annual, 2010-15.

<sup>2</sup> Kim, Eugene M., and Stephen C. Ruppel, Oil and Gas Production in Texas, Bureau of Economic Geology, University of Texas at Austin, p. 2, accessed December 2017.

<sup>3</sup> U.S. EIA, Texas State Energy Profile, 18 January 2018, accessed 1 February 2018.

<sup>4</sup> U.S. EIA, Top 100 U.S. Oil & Gas Fields (March 2015).

<sup>5</sup> Forbes, Texas' Permian Basin: An Oil and Natural Gas Production Machine, Jude Clemente, 12 February 2017, accessed 1 February 2018.

<sup>6</sup> Railroad Commission of Texas, Permian Basin Information, accessed 1 February 2018.

<sup>7</sup> U.S. EIA, Today in Energy, Permian Basin oil production and resource assessments continue to increase, 26 April 2017.

<sup>8</sup> U.S. EIA, Drilling Productivity Report, Permian Region, January 2018.

<sup>9</sup> Railroad Commission of Texas, Permian Basin Information – Texas Permian Oil Production, 2008 through November 2017, accessed 1 February 2018.

Permian aged rocks.<sup>10,11</sup> The basin is divided into two main sub-basins: the Delaware Basin to the west and the Midland Basin to the east.

The eastern portion of the Permian Basin is designated the Midland Basin. It is an accumulation of enormous thick sandstone, siltstone, carbonate and shale layers deposited during the Pennsylvanian, between 323 to 299 million years ago. The Midland Basin now contains historically productive non-tight formations as well as many prolific tight formations, such as the Wolfcamp and Spraberry shales, (together known as the Wolfberry) and the Bone Springs.

The large number of stacked plays within the Midland Basin means operators have continued to develop multiple tight oil layers and increase production from the area. Historically vertical drilling was the primary method of oil and gas field development. The application of horizontal drilling, hydraulic fracturing, increases in proppant intensity, lateral lengths, changes to slick-water completions, and drilling in sweet spots have all helped drive increased initial production rates from wells, which are now comparable to wells drilled in the well-known Bakken and Eagle Ford shales.<sup>12</sup>

High levels of drilling and production activity in the Midland Basin has resulted in the drilling of over 115,000 wells, including more than 5,100 horizontal wells. Records indicate that there has been an 83% historical success rate and almost 100,000 of these wells continue to produce oil and gas. The south and central portions of the Basin are currently the most productive.<sup>13</sup>

(a) **USGS Study<sup>14,15</sup>**

In 2016, the United States Geological Survey (USGS) estimated the Midland Basin contains over 20 billion barrels of undiscovered, technically recoverable oil resources.

Of the six “Assessment Areas” included in Study, the Northern Wolfcamp where the Antares leaseholds are located (refer Figure 2 below) contains the greatest “untested” area (97%+) and the lowest expectations of drilling success (50%). Of the total, USGS estimated undiscovered continuous resources of 521 million barrels of oil in the Northern Wolfcamp Assessment Area.

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<sup>10</sup> U.S. EIA, short-term Energy Outlook, 9 January 2018, accessed 31 January 2018.

<sup>11</sup> U.S. EIA, Today in Energy, Permian Basin oil production and resource assessments continue to increase, 26 April 2017.

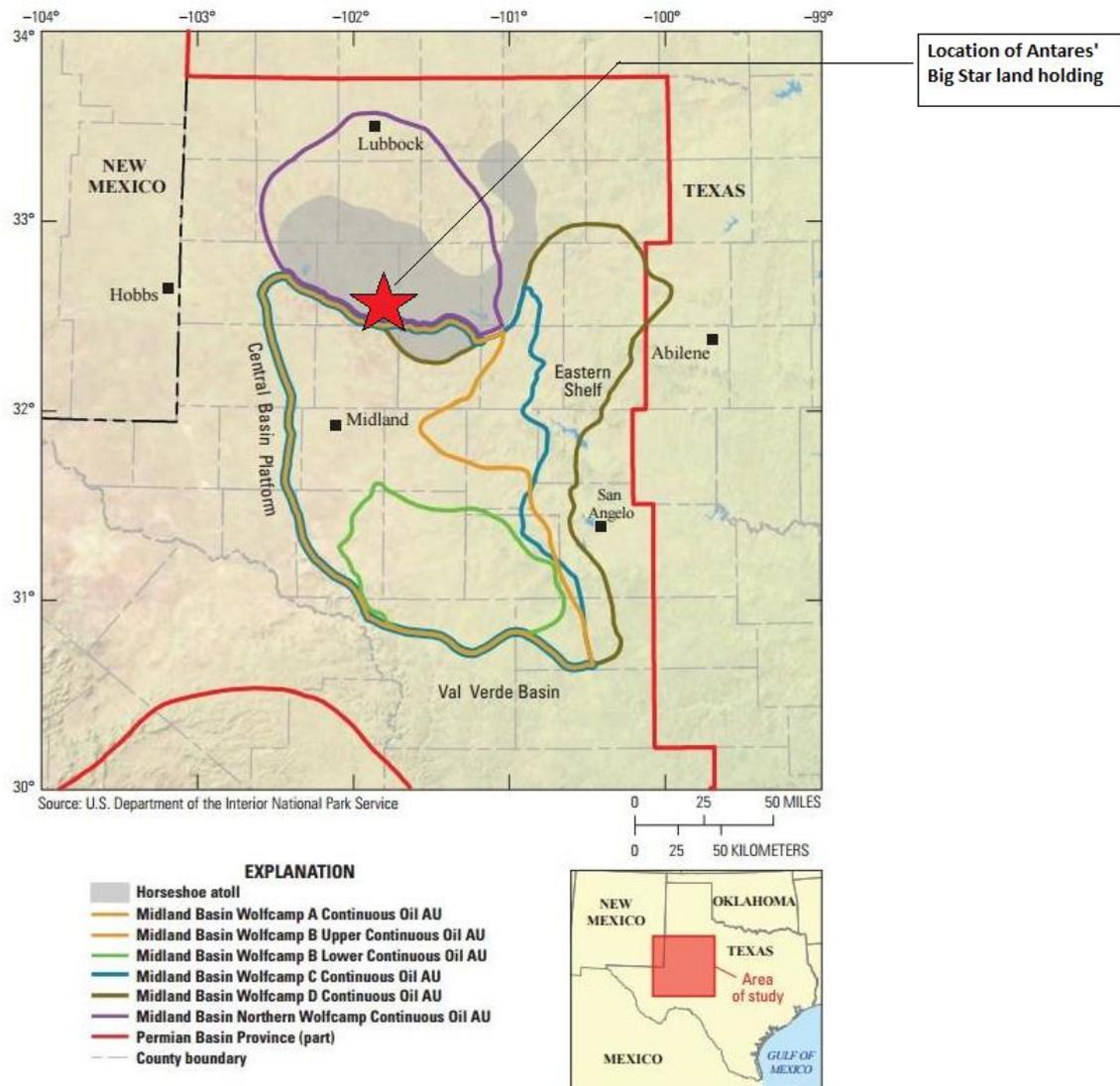
<sup>12</sup> U.S.G.S., Assessment of Continuous Oil Resources in the Wolfcamp Shale of the Midland Basin, Permian Basin Province, Texas, 2016, Fact Sheet 2015-3092, November 2016.

<sup>13</sup> U.S. EIA, short-term Energy Outlook, 9 January 2018, accessed 31 January 2018.

<sup>14</sup> IHS Markit, Wolfcamp Horizontal Play, Midland Basin, West Texas, 2016, Peter Blomquist.

<sup>15</sup> U.S.G.S., Assessment of Continuous Oil Resources in the Wolfcamp Shale of the Midland Basin, Permian Basin Province, Texas, 2016, Open-File Report 2017-1013

**Figure 2: Big Star location relative to USGS Assessment Areas<sup>16</sup>**



<sup>16</sup> U.S.G.S., Assessment of Continuous Oil Resources in the Wolfcamp Shale of the Midland Basin, Permian Basin Province, Texas, 2016, Open-File Report 2017-1013.

### 3.5 Antares Big Star Portfolio (as at 31 January 2018)

Antares currently has 5 wellbores (including 2 producing wells), 240 gross acres (218 net) of held by production (HBP) acreage and 1,747 net acres of exploration acreage as at 1 April 2018 where a significant portion (including 4 wellbores) is owned 100% and Operated by Antares.

#### (a) Wells

**Table 2: Big Star Wellbores**

Well Name	Area	Operator	Working Interest	Net Revenue Interest
Cline 46-1	Dawson County, TX	Antares	100%	0%
Esmond 20-1	Dawson County, TX	Antares	100%	75%
Simmons 27-2	Dawson County, TX	Third party	72%	54%
Stuart 12-1	Dawson County, TX	Antares	100%	75%
Woodward 7-1	Dawson County, TX	Antares	100%	0%

Two of the Company's wells, Stuart 12-1 and Simmons 27-2, produce up to 8 barrels of oil per day. The Company owns 100% of Stuart 12-1 and operates the well. The Company owns 72% of Simmons 27-2, which is operated by Callon Petroleum Operating Company.

Esmond 20-1 is out of service; however, the obligation to plug and abandon the well has been deferred due to the filing of an "abeyance of plugging" report with the State of Texas. The abeyance of plugging report grants the operator the right to conduct further study of the well to determine in the future if a workover to bring the well back into production is warranted.

The Cline 46-1 and Woodward 7-1 wells are out of service. The Cline well stopped producing in early 2015 when its pumping unit went down and was not replaced. A renewal of the lease would require the approval of the landowner, which may or may not be achievable. The Woodward well stopped producing in early 2016 due to pump problems, and repair was not pursued due to poor economics and lack of funds. The wellbore has been plugged; however, the location still requires reclamation, which entails restoring the surface to accommodate cotton farming.

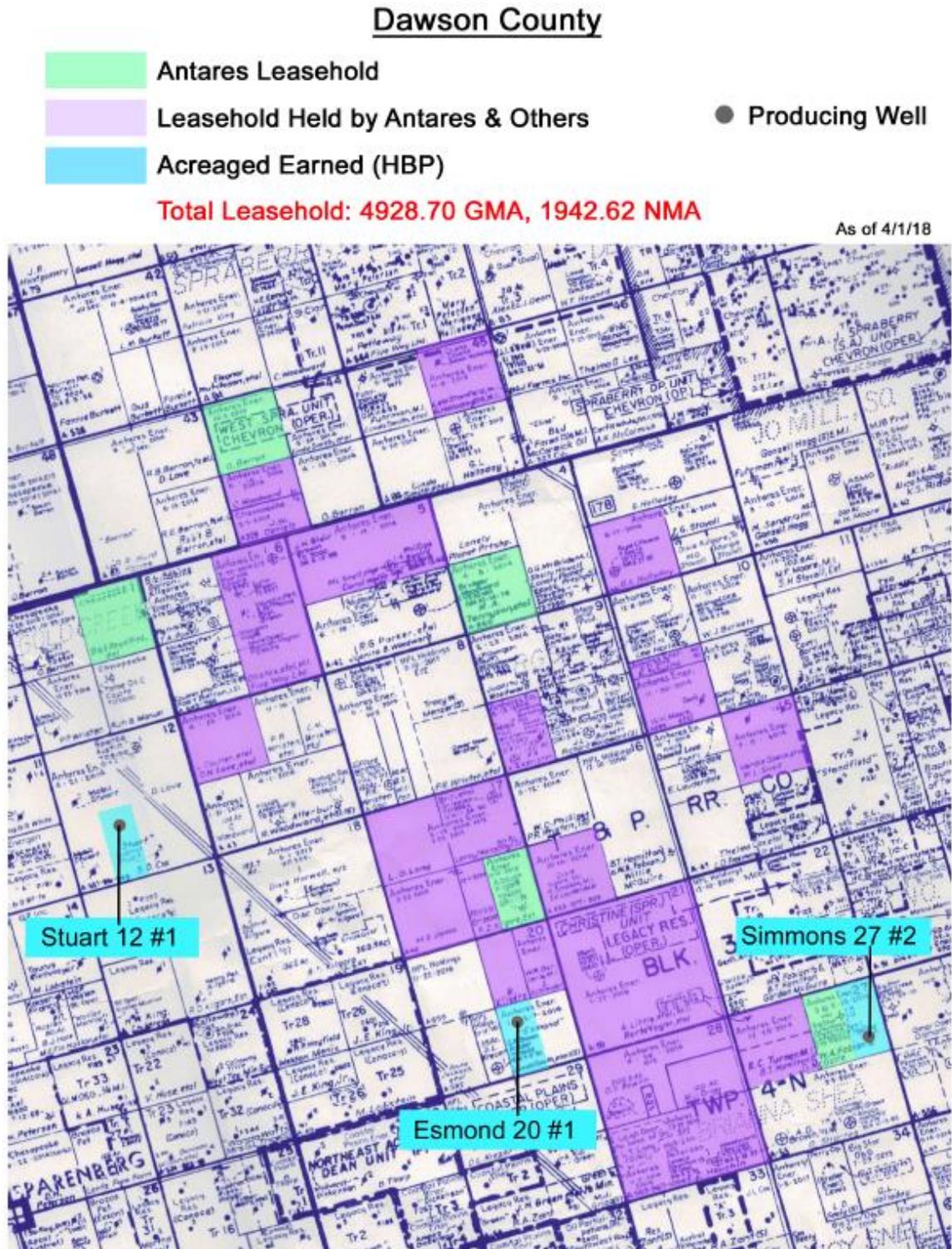
The total abandonment liability for all 5 wells is currently estimated at \$160,000.

#### (b) HBP and Exploration Acreage

As at 1 April 2018, the Company's leaseholds total 1,747 net exploration acres and 240 gross acres (218 net) HBP, shown in Figure 2 below.

The HBP acreage currently associated with the remaining wellbores includes 80 gross acres each held by continuous production from the Simmons 27-2 and Stuart 12-1 wells and an additional 80 gross acres held by the abeyance of plugging status for the Esmond 20-1. The Cline 46-1 and Woodward 7-1 wells are out of service and by the terms of their leases have each lost the 80 acres previously HBP.

**Figure 3: Antares lease position as at 1 April 2018**



The leaseholds are subject to expiry on a variety of dates within calendar year 2018 as shown in the summary tables below. The majority of the expiring leaseholds have options to extend for a further period of 2 years at the election of Antares. The average cost of renewal is circa US\$230/acre.

**Table 3: Antares Net Leasehold Position (with lease extensions)**

Date	HBP Acres (Gross)	Net Exploration Acres Opening Position	Net Acres Expiring	Net Acres Available for Extension	Net Exploration Acres Closing Position
Apr-2018	240	1747	372	76	1375
May-2018	240	1375	0	286	1375
Jun-2018	240	1375	0	0	1375
Jul-2018	240	1375	307	167	1068
Aug-2018	240	1068	0	178	1068
Sep-2018	240	1068	83	117	984
Oct-2018	240	984	0	160	984

Table 3 above summarises the Company's exploration position in the event that the Company elects to extend the leaseholds as and when due.

Table 4 below summarises the Company's exploration position in the event that the Company elects to allow the leases to expire without renewal. In this case, the Company would retain its HBP acres until cessation of production and/or expiry/withdrawal of any Letter of Abeyance and have no exploration acreage by the end of October 2018.

**Table 4: Antares Net Leasehold Position (without lease extensions)**

Date	HBP Acres (Gross)	Net Exploration Acres Opening Position	Net Acres Expiring	Net Acres Available for Extension	Net Exploration Acres Closing Position
Apr-2018	240	1747	372	76	1299
May-2018	240	1299	0	286	1013
Jun-2018	240	1013	0	0	1013
Jul-2018	240	1013	307	167	539
Aug-2018	240	539	0	178	360
Sep-2018	240	360	83	117	160
Oct-2018	240	160	0	160	0

### 3.6 Antares forward plan

#### (a) Wells

Antares has a 3-point plan with respect to the current wells.

1. Production and operations audit: review the current two producers (Simmons 27-2 and Stuart 12-1) for any potential production improvements and the operational activity for any opportunities to improve the commerciality of the current day-to-day operations as well as to identify and manage risk.
2. Bypassed oil study: review all 5 wellbores for any remaining undeveloped oil.
3. Workovers, remediation and abandonment:
  - a. Esmond 20-1: The Esmond well has not produced since early 2015, when water production increased ten-fold overnight and oil production ceased, indicating a possible leak in the downhole casing. The well is subject to an abeyance of plugging, an exception granted by the State of Texas which allows for deferral of the obligation to plug and abandon the well until further study of economic potential is undertaken. Conditional upon the Company's studies supporting commerciality, Antares plans to conduct a workover to shutoff water production and restore oil production. This is an opportunity that has been recommended by the contract operator.
  - b. Cline 46-1: The leasehold which Antares previously held over Cline 46-1 has expired due to a significant period of no production. If the study identifies legitimate potential remaining, an approach may be made to the lease owner to renew the lease, although there is no guarantee the landowner will agree to such a renewal.
  - c. Woodward 7-1: The leasehold which Antares previously held over Woodward 7-1 has expired due to a significant period of no production. The well has been plugged and abandoned; however, the surface location still requires reclamation to restore the surface to its natural state at an estimated cost of US\$35,000 (bids pending).

#### (b) Exploration Acreage

The Company's wells have oil production from both the Spraberry and Wolfcamp Formations. Whilst the productivity and hydrocarbon content in these Formations has not been proven across the remainder of the exploration leasehold, there is the potential that recoverable oil extends beyond the current HBP acreage into the Company's exploration acreage.

The drilling of vertical wells on the Company's acreage has not been as successful as prognosed at the time of drilling, due primarily to low productivity. Greater success has been found by other Operators in the Midland Basin by employing the use of horizontal wells that are hydraulically fractured which can improve productivity by multiples of that achievable in vertical wells.

The use of the technology in the Northern Assessment Unit (as defined by the USGS) remains largely untested; however, a successful horizontal "proof of concept" well in the Unit will increase the value of surrounding acreage and increase the chance of success of further wells.

The Company plans to explore the value of the acreage by:

1. GG&E (geophysical, geological and engineering) studies: Conduct GG&E analysis of the leasehold area and its surroundings. The intention of the study will be to evaluate the potential for economically recoverable oil in the acreage using hydraulically fractured, horizontal wells. These studies will also assist the Company in determining if and how the Company should seek to expand its acreage position in the Midland Basin.
2. Proof of Concept drilling: Should the GG&E studies above conclude that the acreage contains significant potential for the economic recovery of oil, the Company may make certain preparations for the drilling of a "proof of concept" well, possibly including the purchase of additional seismic data. Such a well would require further funding beyond the scope of this current capital raising and in this event, the Company may leverage its current high working interests to try and attract an industry partner to participate.

**(c) Midland Basin portfolio management**

Given the short lease extension and expiry dates on the exploration leaseholds, the Company will consider proactively looking for opportunities to renew current leases and/or expand its holdings in the immediate area of the Midland Basin region for low or zero cost by leveraging its current high working interests and/or introducing new partners into the existing position.

Upon completion of the GG&E studies in 1.6 (a) and 1.6 (b), the Company will consider its portfolio management plans in the context of the results of those studies. The Company may selectively renew leases upon expiry should the GG&E studies reach a favourable recommendation, however it is likely this will require further funding efforts by the Company and/or new partners.

**(d) Inorganic growth**

The Company intends to maintain an active program of identifying additional oil and gas projects, including where it may have a competitive advantage, with a view to acquisition and development in the future. Under this initiative, the Company will be open to considering projects in other proven oil and gas regions and jurisdictions.

Furthermore, as part of its on-going business objectives, the Company will also consider the acquisition and development of any other investments, both within its broader industry sector as well as in unrelated market segments, as identified by the Company and always subject to compliance with the ASX Listing Rules and the Corporations Act.