ENTEK ENERGY LIMITED

ABN 43 108 403 425

Consolidated Financial Report for the Half-Year to 31 December 2015

This document should be read in conjunction with the Annual Financial Report of Entek Energy Limited for the year ended 30 June 2015

Entek Energy Limited
Corporate Directory

DIRECTORS:	Graham Douglas Riley (Chairman) Andrew John Padman Alexander Forcke
COMPANY SECRETARY:	Nerida Lee Schmidt
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SHARE REGISTRY:	**Computershare Investor Services Pty Ltd** Level 11 172 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: 1300 850 505 (Within Australia) +61 3 9415 4000 (Outside Australia) Fax: +61 3 9473 2500 (Within Australia)
LEGAL ADVISORS:	**Gilbert & Tobin** 1202 Hay Street West Perth, Western Australia 6005 **AndrewsKurth** 600 Travis, Suite 4200 Houston, Texas 77002, USA **Norton Rose Fulbright** 1200 17th Street, Suite 1000 Denver, Colorado 80202-5835, USA
BANKERS:	**Bank of Western Australia Limited** 1215 Hay Street West Perth, Western Australia 6005 **Bank of America Corporation** 315 Montgomery Street/14th Floor San Francisco, California 94104, USA **Wells Fargo Bank, NA** 1740 Broadway Denver, Colorado 80274, USA

The directors of Entek Energy Limited A.C.N. 108 403 425 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the half-year ended 31 December 2015 ("Period"). The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company who held office during or since the end of the half-year are:

Graham Douglas Riley
Trent Benjamin Spry (resigned 6 January 2016)
Andrew John Padman
Alexander Forcke

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $2,944,709 (31 December 2014, profit of $3,804,293). The change to the operating loss was principally due to the following:

- An unrealised foreign currency gain of $3,905,599 was recorded compared to a gain of $9,597,483 in the previous reporting period due to the further decline of the Australian dollar against the US dollar.

- The recognition of an impairment of capitalised exploration and evaluation assets totalling $4,998,709 (31 December 2014: $4,313,637).

- Reduced oil and gas revenues and royalty revenues of $320,415 (31 December 2014: $1,172,449) due to production decline/depletion of the GA A133 and PN 975 blocks in the Gulf of Mexico.

REVIEW OF OPERATIONS

The Company's primary assets held at the end of the period comprise interests in:

- approximately 170,500 gross acres (approximately 63,600 net acres) of leasehold in the Green River Basin (GRB) onshore USA in Colorado and Wyoming States.
- Two gas-producing wells; one in each of the GA A133 and PN 975 blocks of the Outer Continental Shelf of the Gulf of Mexico (OCS GoM).
- Royalty interests in the VR 341/342 development in the Gulf of Mexico.

Production & Revenue

In the Gulf of Mexico, the Company earned royalty revenue from the VR341/342 development totalling A$279,069 for the six months to 31 December 2015 (31 December 2014: A$89,644). Production from this development is higher than the comparative period due to the resolution of "bottleneck" issues.

There has been a natural decline in the two gas production wells from the Galveston A133 Block and the Padre North Block 975 wells with minimal revenues earned.

The Galveston A133 Block (GA A133) well produced minor amounts of gas and condensate net to Entek, for revenue of A$6,237 for the period (31 December 2014: A$1,062,565). The Company holds a 38% Working Interest in the GA-A133 well.

The Padre North 975 Block (PN 975-A11) is currently shut and is to be abandoned within the next 6 months. Abandonment expenditures have been fully provided at an estimate of US$100,000 net to Entek. The Company holds a 25% Working Interest in the PN 975-A11 well.

In the Green River Basin the Company derived revenue from wells in the Slater Dome area. During the period minor oil produced generated gross revenue of A$32,709 (31 December 2014: A$17,331).

Green River Basin (GRB)

Battle Mountain AMI

During the reporting period the Operator of the Battle Mountain AMI (GRMR) drilled the three exploration/commitment wells which formed part of the January 2013 Agreement between Entek and GRMR, with Entek being fully carried in all drilling and relevant well testing costs. These wells comprised the Cobb 12-7, McKee 5-16 and State 15-8.

The first two of the wells were drilled to primarily target naturally fractured Niobrara Formation reservoir evident on the 3D seismic. Both of these wells, Cobb 12-7 and McKee 5-16, encountered operational rig related problems during critical phases of drilling the complicated, high angle/ horizontal sections of these wells in the Niobrara Formation, and consequently failed to test the target objectives.

The Cobb 12-7 well has since been temporarily abandoned without a successful completion within the Niobrara section despite encouraging hydrocarbon shows encountered in that zone. A shallow gas sand in the well remains a potential completion candidate for 2016. The McKee 5-16 well was completed in the Niobrara Formation, although the well was significantly out of zone and no significant open fractured reservoir was intersected. The subsequent test did not yield economic flow rates and the well was plugged and abandoned (P&A).

The State 15-8 well intersected the stratigraphic section as predicted, with hydrocarbon shows seen in the primary zone being confirmed by wireline logs; following which the well was cased for flow testing. Although testing of this zone was initially anticipated to be undertaken during the 2015 season, the Operator has been unable to test the well prior to winter and wildlife related operating restrictions. Accordingly, any decision to flow test this well has been deferred by the Operator until the 2016 operating season subject to further technical and commercial considerations.

Since the conclusion of the 2015 drilling program, well post mortem studies have been undertaken and workshopped with GRMR. These discussions have included preliminary discussions about the forward strategy and exploration plans for 2016 as proposed by the Operator. These discussions have identified several improvements and well plan changes to be made to future drilling campaigns in order to more effectively drill, test and complete the naturally fractured Niobrara targets.

Significantly, the geological potential and prospectivity of the Niobrara play in Entek's area has not been downgraded by the 2015 wells. The Operator has already permitted and is now planning wells for an even more aggressive program in 2016. Even in the present challenging oil price environment, GRMR are comfortable being counter cyclic in pursuing the play's potential in a relatively low operating cost environment in anticipation of a turnaround in global crude oil prices.

Entek will diligently assess and review the well locations, new leases and detailed drilling plans once received from GRMR as part of its broader strategic review to address the Company's funding requirements, options and limitations going forward.

Focus Ranch Unit

During the reporting period Entek regained full access to the FRU 12-1 well which had been shut in since 2009. A comprehensive testing program of this well was undertaken during the reporting period to assess the well's productivity from various zones. The program was completed during November 2015, with the well now being shut in and secured for winter. Samples collected through the testing period continue to be analysed. Integration of this data with the earlier flow test and pressure build-up results will provide an indication of the production potential of the FRU 12-1 well and how that relates to the prospectivity of the play, and the preliminary conclusions are summarized below:

Gas and pressure build ups during operations suggest that near wellbore faults are acting as conduits for higher pressure gas and some water from the Frontier level which sits below the Niobrara Formation. These faults are likely allowing gas and possibly water to preferentially flow into the wellbore, effectively reducing oil production from the lower pressure fractured Niobrara Formation.

Major operators such as Shell have dramatically improved Niobrara drilling and completion techniques over the past few years. The 12-1 well was originally drilled with fresh water drilling mud. Significant near wellbore formation damage is interpreted to have occurred in the Niobrara Formation as a result of the original water based mud combined with the protracted six year shut-in period prior to the 2015 tests. The significant recovery of particulate matter, asphaltenes, and emulsions mixed with recovered oil supports this interpretation. These components were not evident during the previous successful testing operations of this well dating back to 2009. Our attempts to overcome this reservoir damage during the testing period by way of a stimulation/propellant treatment was not successful given the high pressure gas influx from the deeper Frontier Formation as discussed above.

The 2015 legal success in regaining physical access rights to the Focus Ranch Unit was a very significant step forward for Entek. We are now finally able to explore and prove the exploration/production potential of this geologically unique area, and the landmark legal decision greatly enhances our ability to introduce new industry partner(s) to assist in the exploration of the Unit.

Further details in relation to Entek's key GRB asset are included in recent ASX releases and Company presentations which can be obtained from its website at www.entekenergy.com.au.

Corporate/Company Funding

The Entek Board is cognizant of and deeply disappointed with the 2015 drilling and well testing campaign, which did not yield the results that we had expected. With the continued weakness in global capital markets and oil prices, we have now had to address the Company's overall cost and management structure in order to further reduce our overheads and administrative expenses. As operator of the Focus Ranch Unit, Entek has an operating base in the US which needs to be retained, and funded whilst we are exploring various options to deal with our US assets in the current difficult market conditions.

As part of our ongoing cost cutting measures, Entek has now shifted the overall management of the Company to the US, with Ms Kim Parsons having been appointed as CEO of Entek, replacing its previous Perth based CEO, Mr Trent Spry, who recently resigned as a director of the Company. Kim has been Entek's US Regional Manager since mid-2013, is intimately aware of Entek's presence and properties in the US, and brings in excess of 30 years of experience in the US Rocky Mountain region as well as internationally with Exxon, Gulf, and Venoco.

Where possible, further cost cutting measures will be undertaken over the coming months as the Company moves towards rationalising its US assets. This rationalisation is ongoing and may take the form of an outright sale or farm-down of our offshore and onshore assets including pipeline infrastructure. Discussions with various interested parties are underway.

No capital raisings have been undertaken by the Company over the past six months. Subject to the success of the abovementioned asset rationalisation process Entek may be required to pursue a capital raising or alternative funding measures in the short term to continue funding its operations.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

The Gulf of Mexico portfolio owned by Entek comprises a 38% interest in the GA A133 block, a 25% interest in the North Padre PN975 block and a royalty interest in the VR341 and 342 blocks. The gas wells associated with the GA A133 and PN975 assets have now reached the end of their productive lives and the wells and associated infrastructure are currently scheduled to be abandoned during 2017 by the operator of those assets. The abandonment liabilities applicable to Entek's interests in these wells and respective production infrastructure have been fully provided for in Entek's financial statements totalling A$1.44MM (US$1.05MM). Entek has recently been advised that new bonding stipulations that are being introduced to the Gulf of Mexico by the relevant US governmental agency may require Entek to additionally provide funds/surety for its share of the GA A133 well and associated infrastructure abandonment currently calculated at US$830,000 until the abandonment of that development has been completed. The Operator is in discussions with the authority about the quantum and timing of the proposed bond requirement.

Meanwhile, Entek is in negotiations to divest its entire Gulf of Mexico portfolio including the VR341/342 royalty. As part of that transaction the purchaser would assume all well and infrastructure abandonment liabilities including the provision of the above mentioned bond.

Whilst Entek is reasonably confident that it can come to an agreement to adequately deal with the abandonment/bonding liability on a timely basis by way of such transaction, there is a chance that Entek may need to provide the bond related funds from its remaining cash reserves if any such transaction does not proceed. This would bring forward the Company's need for additional funding in the short term.

Other than the matter noted above, no other matters or circumstances have arisen since the end of the reporting date which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C, the auditors of the Company, Stantons International have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2015. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

Graham Riley
Non-executive Chairman,

15 March 2016
Perth, Western Australia

DIRECTORS’ DECLARATION

The directors of Entek Energy Limited A.C.N. 108 403 425 (“Company”) declare that:

a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;

   i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and

   ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and

b) In their opinion there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Graham Riley
Non-executive Chairman,

15 March 2016
Perth, Western Australia

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Note	Half-Year to 31 December 2015 $	Half-Year to 31 December 2014 $
CONTINUING OPERATIONS			
Revenue	2	320,415	1,172,449
Unrealised foreign currency gains		3,905,599	9,597,483
Provision for impairment of exploration and evaluation expenses		(4,998,709)	(4,313,637)
Other expenses	2	(2,172,014)	(2,652,002)
(Loss)/profit from continuing operations before income tax		(2,944,709)	3,804,293
Income tax		-	-
(Loss)/profit from continuing operations after income tax		(2,944,709)	3,804,293
Other comprehensive income			
Items which are subsequently reclassified to profit or loss			
Foreign currency translation differences		(2,737,807)	(6,027,050)
Other comprehensive (loss) for the period, net of income tax		(5,682,516)	(2,222,757)
Total comprehensive (loss) for the period		(5,682,516)	(2,222,757)
Comprehensive (loss) attributable to:			
Members of the parent entity:		(5,682,516)	(2,222,757)
Basic (loss)/profit per share (cents per share)		(0.58)	0.74
Diluted (loss)/profit per share (cents per share)		(0.58)	0.74

The accompanying notes form part of this financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	31 December 2015 $	30 June 2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	2,474,718	6,261,842
Trade and other receivables		228,930	412,438
Inventory		65,816	62,668
Total Current Assets		2,769,464	6,736,948
NON-CURRENT ASSETS			
Trade and other receivables		574,866	429,488
Plant and Equipment		44,371	67,734
Capitalised exploration expenditure		11,937,920	14,036,100
Production Plant and Equipment		3,261,123	3,212,193
Total Non-Current Assets		15,818,280	17,745,515
Total Assets		18,587,744	24,482,463
CURRENT LIABILITIES			
Trade and other payables		193,746	529,300
Provisions		155,815	19,283
Total Current Liabilities		349,561	548,583
NON-CURRENT LIABILITIES			
Provisions		2,263,623	2,285,967
Total Non -Current Liabilities		2,263,623	2,285,967
Total Liabilities		2,613,184	2,834,550
Net Assets		15,974,560	21,647,913
EQUITY			
Issued capital	3	59,791,934	59,791,934
Reserves	4	(7,874,446)	(5,145,802)
Accumulated losses		(35,942,928)	(32,998,219)
Total Equity		15,974,560	21,647,913

The accompanying notes form part of this financial report

	Half-Year to 31 December 2015 $	Half-Year to 31 December 2014 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	347,660	1,314,371
Payments to suppliers & employees	(759,922)	(1,163,618)
Interest received	2,302	2,205
Net Cash (used in)/provided by Operating Activities	(409,960)	152,958
CASH FLOWS FROM INVESTING ACTIVITIES		
Placement of Security Deposit	(133,205)	-
Purchase of Exploration Assets	(68,595)	(68,644)
Operating Exploration and Development expenditure	(3,509,836)	(1,552,604)
Net Cash (used in) Investing Activities	(3,711,636)	(1,621,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from equity issues	-	-
Net Cash provided by/(used in) Financing Activities	-	-
Net (Decrease) in Cash and cash equivalents	(4,121, 596)	(1,468,290)
Net foreign exchange differences	334,472	1,261,000
Cash and cash equivalents at beginning of period	6,261,842	8,427,769
Cash and cash equivalents at end of Period	2,474,718	8,220,479

The accompanying notes form part of this financial report

Attributable to Members of the Company	**Issued Capital $**	**Option Premium Reserve $**	**Currency Translation Reserve $**	**Accumulated Losses $**	**Total Equity $**
At 1 July 2014	59,791,934	5,541,353	(1,522,185)	(37,438,361)	26,372,741
Profit for period	-	-	-	3,804,293	3,804,293
Other comprehensive loss					
Currency translation differences	-	-	(6,027,050)	-	(6,027,050)
Total comprehensive result for the period	-	-	(6,027,050)	3,804,293	(2,222,757)
Share based payment	-	-	-	-	-
At 31 December 2014	59,791,934	5,541,353	(7,549,235)	(33,634,068)	24,149,984

Attributable to Members of the Company	**Issued Capital $**	**Option Premium Reserve $**	**Currency Translation Reserve $**	**Accumulated Losses $**	**Total Equity $**
At 1 July 2015	59,791,934	5,565,788	(10,711,590)	(32,998,219)	21,647,913
(Loss) for period	-	-	-	(2,944,709)	(2,944,709)
Other comprehensive loss					
Currency translation differences	-	-	(2,737,807)	-	(2,737,807)
Total comprehensive result for the period	-	-	(2,737,807)	(2,944,709)	(5,682,516)
Share based payment	-	9,163	-	-	9,163
At 31 December 2015	59,791,934	5,574,951	(13,449,397)	(35,942,928)	15,974,560

NOTE 1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of Entek Energy Limited as at 30 June 2015. It is also recommended that the half year financial report be considered together with any public announcements made by Entek Energy Limited during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a. Basis of Preparation

These general purpose interim financial statements for the half-year reporting period ended 31 December 2015 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Entek Energy Limited and its controlled entities (referred to as the "Consolidated Group" or "Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2015, together with any public announcements made during the following half-year. These interim financial statements were authorised for issue on 15 March 2016.

b. Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements. The Group has considered the implications of new and amended Accounting Standards but determined that their application to the financial statements is either not relevant or not material.

c. Going Concern

The financial statements have been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Consolidated Entity to continue as a going concern is dependent upon the rationalisation of assets through the outright sale or farm-down of offshore and onshore assets or future capital raising and the outcome of the new bonding requirements referred to in the subsequent event note. The directors believe that at the date of signing the financial report they have reasonable grounds to believe the group will have sufficient funds to meet its obligations as and when they fall due.

Should the Company not successfully achieve a sale or farm-down of assets, or a capital raising, or is required to contribute to the new bonding requirements, there will be a material uncertainty that casts significant doubt on the Company's ability to continue as a going concern and therefore realise its assets and discharge its liabilities in the normal course of business.

NOTE 2. REVENUE, INCOME AND EXPENSES

The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Company:

	Half-Year to 31 December 2015 $	Half-Year to 31 December 2014 $
Revenue		
Oil and gas sales / royalty revenues	318,113	1,170,244
Interest received	2,302	2,205
	320,415	1,172,449
Charging as Expenses		
Directors, employees and consultants	305,951	371,470
Oil and gas operation and exploration expenses	1,381,858	1,453,375
Amortisation of capitalised expenditure	-	63,980
Depreciation of production plant & equipment	139,687	429,743
Write down of assets	-	50,507
Cost of share based payment	9,163	-
Other	335,355	282,927
	2,172,014	2,652,002

NOTE 3. ISSUED CAPITAL

	Half-Year to 31 December 2015 $	Year to 30 June 2015 $
Ordinary Shares		
510,657,387 (30 June 2015: 510,657,387) fully paid ordinary shares	59,791,934	59,791,934
	59,791,934	59,791,934
Movements in ordinary shares:		
At the beginning of the period	59,791,934	59,791,934
Movement	-	-
At the end of the financial period	59,791,934	59,791,934

NOTE 4. RESERVES

	Half-Year to 31 December 2015 $	Year to 30 June 2015 $
Option premium reserve	5,574,951	5,565,788
Currency translation reserve	(13,449,397)	(10,711,590)
	(7,874,446)	(5,145,802)

Movements in option premium reserve:

	Half-Year to 31 December 2015 $	Year to 30 June 2015 $
At the beginning of the period	5,565,788	5,541,353
Share based payments expense	9,163	24,435
At the end of the financial period	5,574,951	5,565,788

Movements in currency translation reserve:

	Half-Year to 31 December 2015 $	Year to 30 June 2015 $
At the beginning of the period	(10,711,590)	(1,522,185)
Movement for the half-year	(2,737,807)	(9,189,405)
At the end of the financial period	(13,449,397)	(10,711,590)

NOTE 5. RECONCILIATION OF CASH AND CASH EQUIVALENTS

	Half-Year to 31 December 2015 $	Year to 30 June 2015 $
Cash	2,474,718	6,261,842
	2,474,718	6,261,842

As per the policy of the Company for cash flow purposes, cash and cash equivalents are made up of all cash on hand and cash at bank.

NOTE 6. SEGMENT INFORMATION

Primary Reporting Business Segments

During the half-years ended 31 December 2015 and 31 December 2014, the Consolidated Entity operated entirely in the oil and gas industry. The consolidated entity operates in two geographical segments, Australasia and North America.

Secondary Reporting Geographical Segments

	Total Revenue $	Segment Profit/(Loss) $
Half-Year to 31 December 2015:		
Australasia	2,330,158	3,366,500
North America	318,113	(6,311,209)
	2,648,271	2,944,709
Elimination on consolidation	(2,327,856)	-
Total	320,415	2,944,709
Half-Year to 31 December 2014:		
Australasia	1,835,547	9,024,861
North America	1,170,244	(5,220,568)
	3,005,791	3,804,293
Elimination on consolidation	(1,833,342)	-
Total	1,172,449	3,804,293

	Segment Assets $	Segment Liabilities $
Half-Year to 31 December 2015:		
Australasia	334,030	64,405
North America	18,253,714	2,548,779
Total	18,578,744	2,613,184
Half-Year to 31 December 2014:		
Australasia	365,184	78,907
North America	26,293,536	2,429,827
Total	26,658,720	2,508,734

Segment revenues, expenses and results may include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the economic entity at an arm's length. These transfers are eliminated on consolidation.

NOTE 7. CONTINGENT LIABILITIES

There has been no significant change in contingent liabilities since the last annual reporting date.

NOTE 8. EVENTS SINCE THE END OF THE FINANCIAL YEAR

The Gulf of Mexico portfolio owned by Entek comprises a 38% interest in the GA A133 block, a 25% interest in the North Padre PN975 block and a royalty interest in the VR341 and 342 blocks. The gas wells associated with the GA A133 and PN975 assets have now reached the end of their productive lives and the wells and associated infrastructure are currently scheduled to be abandoned during 2017 by the operator of those assets. The abandonment liabilities applicable to Entek's interests in these wells and respective production infrastructure have been fully provided for in Entek's financial statements totalling A$1.44MM (US$1.05MM). Entek has recently been advised that new bonding stipulations that are being introduced to the Gulf of Mexico by the relevant US governmental agency may require Entek to additionally provide funds/surety for its share of the GA A133 well and associated infrastructure abandonment currently calculated at US$830,000 until the abandonment of that development has been completed. The Operator is in discussions with the authority about the quantum and timing of the proposed bond requirement.

Meanwhile, Entek is in negotiations to divest its entire Gulf of Mexico portfolio including the VR341/342 royalty. As part of that transaction the purchaser would assume all well and infrastructure abandonment liabilities including the provision of the above mentioned bond.

Whilst Entek is reasonably confident that it can come to an agreement to adequately deal with the abandonment/bonding liability on a timely basis by way of such transaction, there is a chance that Entek may need to provide the bond related funds from its remaining cash reserves if any such transaction does not proceed. This would bring forward the Company's need for additional funding in the short term.

Other than the matter noted above, no other matters or circumstances have arisen since the end of the reporting date which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
ENTEK ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Entek Energy Limited, which comprises the condensed statement of financial position as at 31 December 2015, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Entek Energy Limited (the consolidated entity). The consolidated entity comprises both Entek Energy Limited (the Company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Entek Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Entek Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Entek Energy Limited on 15 March 2016.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Entek Energy Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Emphasis of Matter Regarding Going Concern and Carrying Values of Non-Current Assets

Without qualification to the review conclusion expressed above, attention is drawn to the following matters:

As referred to in Note 1 to the financial statements, the financial statements have been prepared on the going concern basis. At 31 December 2015, the entity had working capital of $2,419,903, cash and cash equivalents of $2,474,718 and had incurred a loss for the half year amounting to $2,944,709. The ability of the Company to continue as a going concern is subject to successful realisation of assets through the outright sale or farm-down of offshore and onshore assets or future capital raising. In the event that the Board is not successful realisation of assets through the outright sale or farm-down of offshore and onshore assets or in raising further funds as required, the Company may not be able to meet its liabilities as they fall due and the realisable value of the Company's non–current assets may be significantly less than book values.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir Tirodkar
Director

West Perth, Western Australia
15 March 2016

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15 March 2016

Board of Directors
Entek Energy Limited
Ground Floor
338 Hay Street
Subiaco WA 6008

Dear Directors

RE: ENTEK ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Entek Energy Limited.

As the Audit Director for the review of the financial statements of Entek Energy Limited for the half year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
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Samir Tirodkar
Director