# ANNUAL REPORT 2016

ENTEK ENERGY LIMITED

# CORPORATE DIRECTORY

## DIRECTORS:

**Graham Douglas Riley**
Non-Executive Chairman

**Kimberly S Parsons**
Executive Director / CEO

**Alexander Forcke**
Non-Executive Director

## COMPANY SECRETARY:

**Nerida Lee Schmidt**

## ABN:

**43 108 403 425**

## REGISTERED OFFICE:

Ground Floor
338 Hay Street
Subiaco, Western Australia 6008

Tel: +61 (8) 9213 4388
Fax: +61 (8) 9213 4399

Email: info@entekenergy.com.au
Website: www.entekenergy.com.au

## AUDITORS:

**STANTONS INTERNATIONAL**
Level 2, 1 Walker Avenue
West Perth WA 6005
Tel: +61 (8) 9481 3188
Fax: +61 (8) 9321 1204

## 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

**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 MERRILL LYNCH / BANK OF AMERICA, NA**
555 California Street, Suite 1140
San Francisco, California 94104, USA

**WELLS FARGO BANK, NA**
1740 Broadway
Denver, Colorado 80274, USA

This annual financial report covers both Entek Energy Limited as an individual entity and the Consolidated Entity comprising Entek Energy Limited and its subsidiaries. The Group's presentation currency is Australian Dollars ($). The functional currency of Entek Energy Limited is Australian Dollars ($) and the functional currency of all other subsidiaries of Entek Energy Limited is United States Dollars (US$). A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' Report. The Directors' Report is not part of the annual financial report.

# CONTENTS




# CHAIRMAN'S REPORT

Dear Shareholders,

As I indicated to you in our last Annual Report, the key objective of the 2015 drilling programme was to validate the geological model of the Niobrara Shale in the Battle Mountain Joint Venture, based on the 3D seismic previously shot by the Operator, and to recommence testing the potential of the Focus Ranch Unit following success in defending continued legal challenges by local surface owners.

Entek was fully carried through the three exploration wells at Battle Mountain, all of which were essentially unsuccessful for the reasons set out in the Operations Report from our CEO as part of this Annual Report.

Whilst subsequent analysis and workshopping of those disappointing exploration results certainly revealed operational improvements and changes that should be adopted by the Operator in future drilling campaigns, the intervening collapse in crude oil prices has seriously affected the economic viability of most exploration plays, particularly in the unconventional shale sector.

This has resulted in the massive write-downs we have seen by major petroleum companies with unconventional assets. It has also critically restricted the potential flow of much needed capital for small and junior explorers, resulting in many filings for bankruptcy protection in this sector across the United States.

In these circumstances, and given that any Niobrara wells drilled on our acreage in this environment are not likely to be economic or profitable, the Company is unlikely to participate in any proposed exploration during the current drilling season, without some unexpected and compelling reason to the contrary. These coming decisions will be made progressively as requisite notices are received on a well by well basis.

The Board has also made some very difficult decisions in asset and portfolio rationalisation, including staff and overhead reductions, with our new CEO and Denver office staff agreeing to terminate their employment contracts and continue working for the Company on a consultative 'as needs' basis. The Board continues to monitor all required expenditures closely.

The original decision of the previous Entek Board to pursue the Niobrara play was made at a time of high oil prices and general market enthusiasm for the sector, and, as an early mover, Entek managed to secure a large acreage position for such a small company. The project has been diligently pursued, but market conditions have deteriorated and are now vastly different to those prevailing at the time the asset was acquired. However, our obligations and responsibilities continue, and it is important for shareholders to understand the strict regulatory and legal regime which controls all our U.S. operations, requiring continued and future compliance as we seek to rationalise these assets.

# CHAIRMAN'S REPORT

In particular, despite the clear decisions made by senior US courts in Entek's favour in relation to the long running access dispute on our Focus Ranch Unit leases during 2014/15, the same landowners have continued to pursue this matter on both legal and regulatory grounds. Entek will continue to vigorously defend these actions to preserve its rights with respect to these leases.

Having successfully disposed of our offshore assets in the Gulf of Mexico as previously announced, Entek's overall onshore lease position remains substantial, but cannot be simply held indefinitely without significant future expenditures and activity, as detailed in the Operations Report. Accordingly, the Company continues to actively seek third party participation by way of farm out, partner, or other favourable disposition.

The challenges Entek now faces going forward are not insubstantial. Whilst we have been successful in gaining some breathing space with respect to required exploration expenditures in the immediate term, the legacy issues of acreage management with increasing environmental constraints, abandonment obligations, and continuing legal attacks on our rights to explore pose significant challenges for the Company going forward. Capital markets in general, and the crude oil market in particular, will have to improve strongly for us to attract and raise the fresh capital needed to mount a further significant exploration push with our remaining onshore assets.

Taking all the above circumstances into account, the Board has made the conservative accounting decision to write off all remaining onshore exploration acreage and associated infrastructure. Notwithstanding that these assets undoubtedly have the potential to deliver considerable shareholder value in the future, the Directors consider it prudent, in recognition of existing market conditions, including our current share price and associated market capitalisation, to take this step.

As previously advised, the Company is continuing to review exploration possibilities in the United States and Australia which have the potential to create future value for shareholders, but this is a somewhat difficult task until our asset portfolio is rationalised and stabilised. Any suitable opportunities must also have the credentials to raise the capital required to be appropriately and diligently pursued.

Lastly I would like to thank all our staff, consultants and stakeholders for their ongoing efforts on behalf of the Company, with special thanks to our new Director and CEO, Kim Parsons, and her Denver team for their continued loyalty and hard work as our key representatives in the United States.

Graham Riley
CHAIRMAN

# OPERATIONS REPORT

As already alluded to in the Chairman's Report, the last twelve months have presented numerous challenges to Entek as a result of an unsuccessful drilling and disappointing testing campaign carried out in our onshore Niobrara assets. In addition, a further significant downward shift in global oil prices has affected the economic viability of most conventional and unconventional hydrocarbon plays including the Niobrara. Consequently, the Board of Entek has had to make very difficult decisions to preserve its limited cash reserves by way of rationalising its asset and lease portfolio and reducing staff numbers and overheads as much as possible.

## GULF OF MEXICO

The key asset rationalisation which Entek was able to successfully conclude during the year was the sale of its entire remaining offshore Gulf of Mexico portfolio to Peregrine Oil & Gas, LP for a net consideration of US$1.86 million. This portfolio sale comprised Entek's respective 38% and 25% interests in the GA A133 and PN 975 gas blocks, and its overriding royalty interest in the VR 341/342 blocks. Critically to Entek, this transaction eliminated the significant and open ended funding obligations for the abandonment of its two depleted gas wells including the new onerous bonding requirements by the relevant US Government authorities which Entek would have been unable to provide without raising new capital.

## NIOBRARA OIL RESOURCE PLAY

Entek's overall lease position in the Green River Basin has declined to 149,458 gross acres or 55,393 net acres as a result of Entek selectively renewing and participating in only high value leases within the Battle Mountain AMI due to the abovementioned funding restrictions. Consequently, Entek's working interest for certain individual lease tracts/pools designated to new proposed wells within that AMI may fall below Entek's 20% AMI interest level. Entek's current lease position for the Battle Mountain AMI totals some 17,800 net acres as shown in the table below.

Entek's other major asset is the Focus Ranch Area where the Company currently holds a total of 35,009 net acres. As is discussed in more detail later in this report, a recent Unit boundary change designates 26,209 net acres inside the newly contracted Focus Ranch Unit (FRU) and 8,800 net acres outside the Unit. An additional 2,575 net acres held outside the Battle Mountain and Focus Ranch areas make up the total of 55,393 net acres held by Entek. This is still a considerable land holding for a company of Entek's size.

| Leases | State/County | Operator | Gross Acres | WI % | Net Acres to Entek |
|---|---|---|---|---|---|
| Battle Mountain AMI | WY/Carbon | GRMR | ~103,055 | up to 20% | ~17,809 |
| Focus Ranch Area incl. FRU | WY/Carbon & CO/Routt | Entek | ~41,282 | 99%+ | ~35,009 |
| Other Areas | WY/Carbon & CO/Routt | Entek | ~5,121 | 100% | ~2,575 |
| Total | | | **~149,458** | | **~55,393** |

# OPERATIONS REPORT

The location map below *(Figure 1)* shows the Company's gross acreage position in Wyoming and Colorado covering the Niobrara Oil Resource Play as well as the strategically located Entek operated gas gathering system which remains shut-in. The map also highlights the 2015 Battle Mountain wells and the approximate locations of all drilling permits applied for by the Operator in 2016 which are discussed further below..

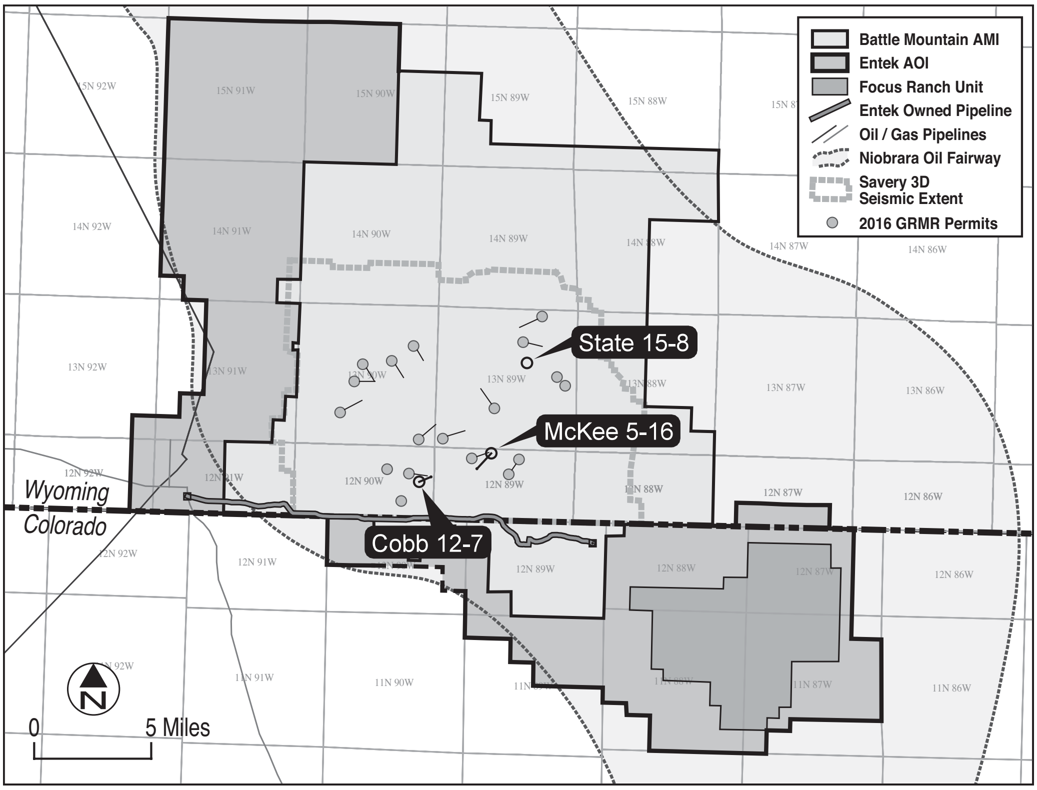



*Figure 1: Map showing Niobrara Resource Play lease and asset position, GRMR 2015 wells and 2016 permit applications.*

# OPERATIONS REPORT

## BATTLE MOUNTAIN AMI

During the second half of 2015, the Operator of the Battle Mountain AMI (GRMR) drilled three exploration wells, fulfilling the commitment of the January 2013 Agreement between Entek and GRMR. Entek was fully carried in all drilling and relevant well testing costs. These wells comprised the Cobb 12-7, McKee 5-16 and State 15-8, all located within the extensive 3D seismic survey that was acquired previously by GRMR.

The first two wells were drilled to primarily target naturally fractured Niobrara zones 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 confirmed live oil shows and fracturing in the objective Niobrara bench. As the first well in the 2015 drilling campaign, the operator struggled with casing point, well path trajectory, rig downtime, and ultimately lost the lateral through the objective bench. In the absence of a test, the Cobb well does not condemn or confirm Niobrara potential in the area. The well was plugged back and temporarily shut in pending a test of a secondary objective, shallow gas sand.

The McKee 5-16 well porpoised at the bottom of the target Niobrara bench, successfully drilled with casing and oil mist for most of the intended lateral, but flow tests were uneconomic. Secondary objective shallow sands exhibited good gas shows but appeared wet on logs. The well was subsequently plugged and abandoned (P&A).

The State 15-8 well was a vertical test of multiple horizons on a seismically defined closure in a difficult data area. Primary risk was the size of the closure and down sourcing the Jurassic and deeper reservoirs from the overlying Cretaceous. The State well logged several zones of interest yet was low to prognosis, reducing possible reserves. Whilst the operator set pipe and shut the well in, the hydrocarbon potential from this well is considerably lower than pre-drill estimates and the Operator is unlikely to flow test this well in the foreseeable future.

Following the conclusion of last year's drilling program, well post mortem studies were undertaken and workshopped with GRMR. These discussions identified mechanical, interpretative and well plan improvements for future drilling campaigns in order to more effectively drill, test and complete the naturally fractured Niobrara targets.

As at the date of this report, Entek has received the details and costings of GRMR's proposed 2016 drilling campaign, comprising two wells located within the Battle Mountain AMI *(refer well location map below)*. Entek's working interests in these wells range from 17.68% to 18.36% with a total cost exposure of up to US$1.214 million for its share of drilling, completion and testing costs. The well locations are based on 3D

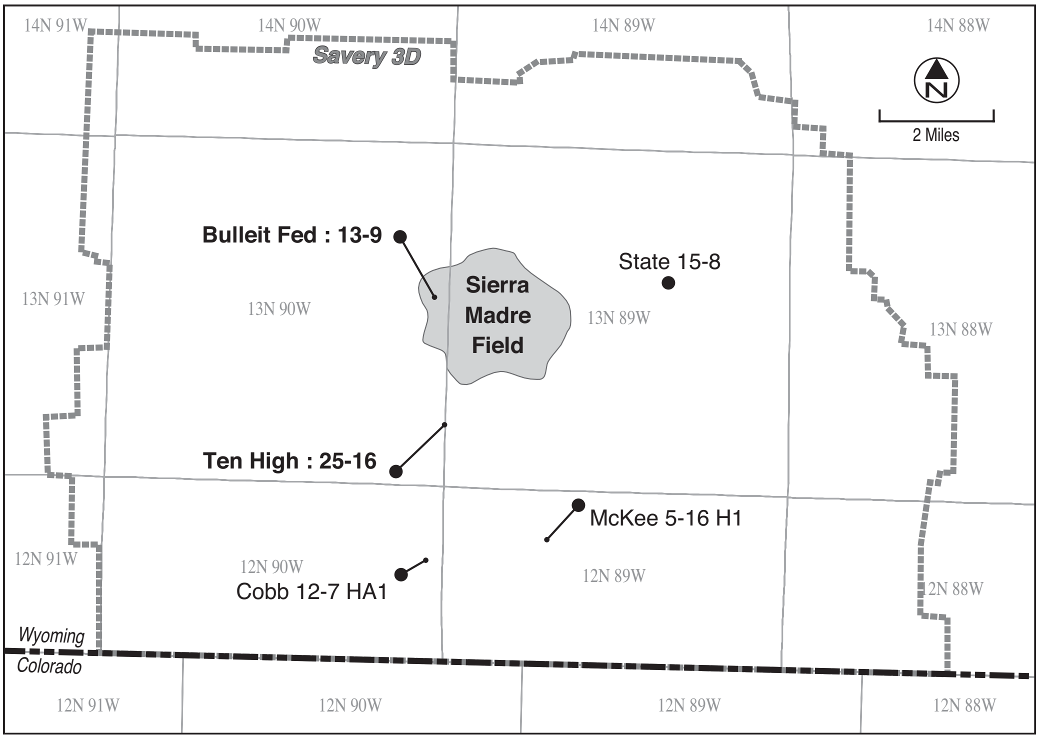



*Figure 2: Map of Battle Mountain AMI showing 2016 GRMR proposed well locations and 2015 GRMR drilled wells*

# OPERATIONS REPORT

seismic and targeting natural open fractures by drilling high angle and/or horizontal paths within the Niobrara. The Operator has indicated that additional wells are expected to be proposed, however it is considered highly unlikely that GRMR will be able to drill all these wells this year given the limited drilling window and timely receipts of requisite drilling approvals.

Entek has carefully reviewed each of the proposed wells from a technical and economic risk/return perspective and the implications on the Company in a success and failure scenario. Basin statistics indicate if 3D seismic is used to intersect an open fracture network, economic success is possible at $60/bbl oil prices. At current prices of ~ $45/bbl, threshold recoveries increase and economic chance of success drops significantly. Whilst a handful of fractured Niobrara "super" wells far exceed the target threshold, the current low oil price environment makes the economic viability of the fractured Niobrara shale play marginal at best. Accordingly, the Company is unlikely to participate in any proposed exploration during the current drilling season, without some unexpected and compelling reason to the contrary.

Entek will closely monitor the results of this year's drilling campaign and continue to market its Battle Mountain interest, either as an outright sale or farm out.

# OPERATIONS REPORT

## FOCUS RANCH UNIT

Following the successful resolution of legal battles that had previously prevented access to 85% of the Focus Ranch Unit (FRU), in 2015 Entek regained access to the FRU 12-1 well, shut in since 2009. The landmark Entek v Stull 10th Circuit Court of Appeals codifies how Federal unitised surface is treated and secured legal access rights to the Focus Ranch Unit. Whilst further legal challenges to the decision continue to be mounted by the same local surface owners, Entek is vigorously defending these challenges to protect its rights to this Unit in order to explore and prove the exploration/production potential of this geologically unique area.

In 2015, Entek built a short section of new road to reconnect with the existing access road and conducted a multi stage flow test of the FRU 12-1 well. The testing revealed that 2006 drilling and completion techniques following which the well was shut in and left unattended for over six years caused significant formation damage to the Niobrara oil shale.

Gas and pressure build ups undertaken during Entek's testing operations indicate that near wellbore faults and compromised plugs in the borehole conduit higher pressure gas and some water from the underlying Frontier sands into the Niobrara Formation.

Frontier gas provides a secondary objective and Entek has applied for gas pipeline routes from the 12-1 to our Slater Dome gathering facility. The extended lack of access and shut in period allowed the preferentially higher pressure flow into the wellbore (refer seismic interpretation diagram below) that effectively reduced oil production from the lower pressure fractured Niobrara Formation in the 12-1.

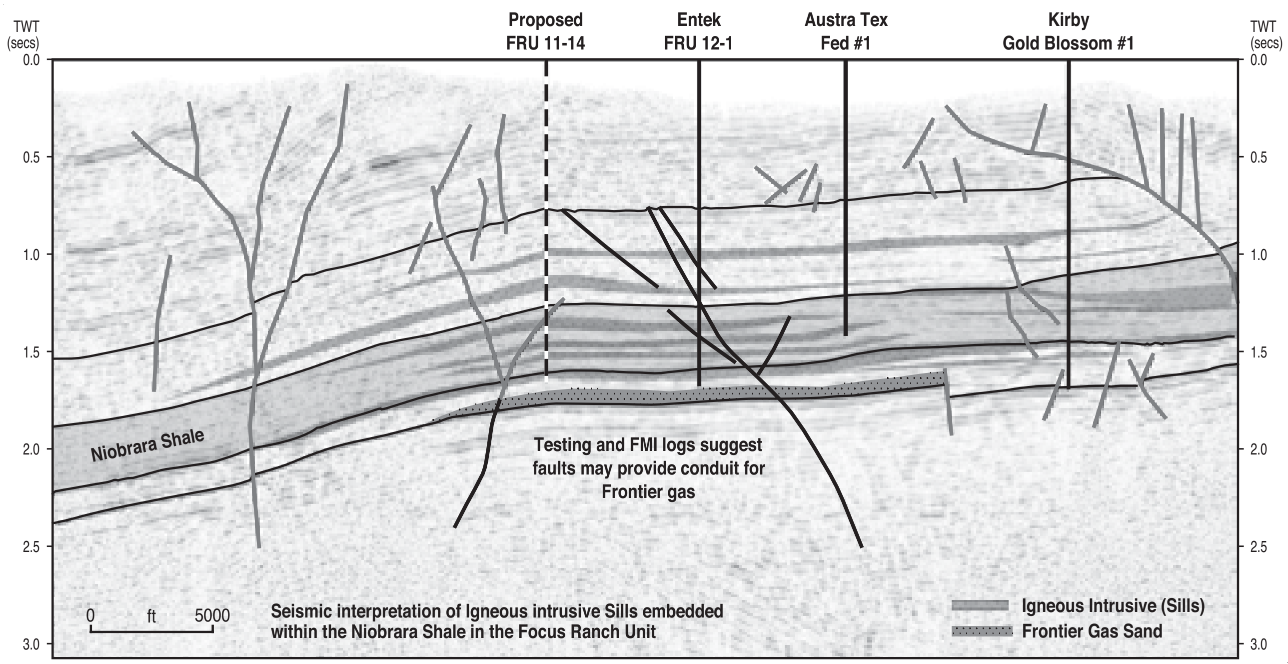



*Figure 3: Focus Ranch Unit (FRU) – Seismic Section, Niobrara & Sills*

Following this testing program, the well has been shut in since late 2015 with pressures being monitored regularly. The forward options for the 12-1 well, including development of and pipeline routes for the Frontier gas, are still being evaluated as part of a broader future drilling campaign.

By way of background, the 12-1 well was originally drilled in 2006 with fresh water drilling mud and tested significant amounts of oil in 2008 and 2009 during short production tests. From 2009 to 2015, Entek was prevented from accessing the well, during which Entek fought and eventually won the legal battle for access. The protracted 6 year shut in period and complete lack of access to the well is believed to have caused significant near wellbore formation damage in the Niobrara. In addition to gas, the 2015 testing recovered oil mixed with particulate matter, asphaltenes, and emulsions, indicating the lengthy exposure to fresh water fluids interacted with and decomposed the Niobrara shale.

Entek maintains that the documented, widespread open fractures in the Focus Ranch sill play result in lower risk and better economics than the mainstream Niobrara shale play. Recent advances in drilling and completion techniques, pioneered by Shell and utilised by GRMR in our Battle Mountain AMI, prevent Niobrara formation damage. During its testing program last year Entek also undertook a stimulation/propellant treatment of the 12-1 well to overcome formation damage but was unable to re-establish the Niobrara oil rates seen in 2008-2009. Instead, the well exhibited a mix of oil, water, solids and a high pressure gas influx from the deeper Frontier Formation as discussed above.

During 2016, Entek finalised negotiations with the Bureau of Land Management (BLM) to secure a Unit suspension. Entek agreed to modify the Unit boundary to reflect the areas of significant economic potential, contracting the Unit boundary as shown below. Entek has proposed and on sited a number of new well locations as part of a Master Development Plan. These locations are subject to an environmental review by the BLM to integrate new sage grouse guidelines applicable to the area. The acreage outside the new Unit has been granted a two-year extension and Entek will always be at liberty to propose its own wells or entertain farm out offers on this particular acreage.

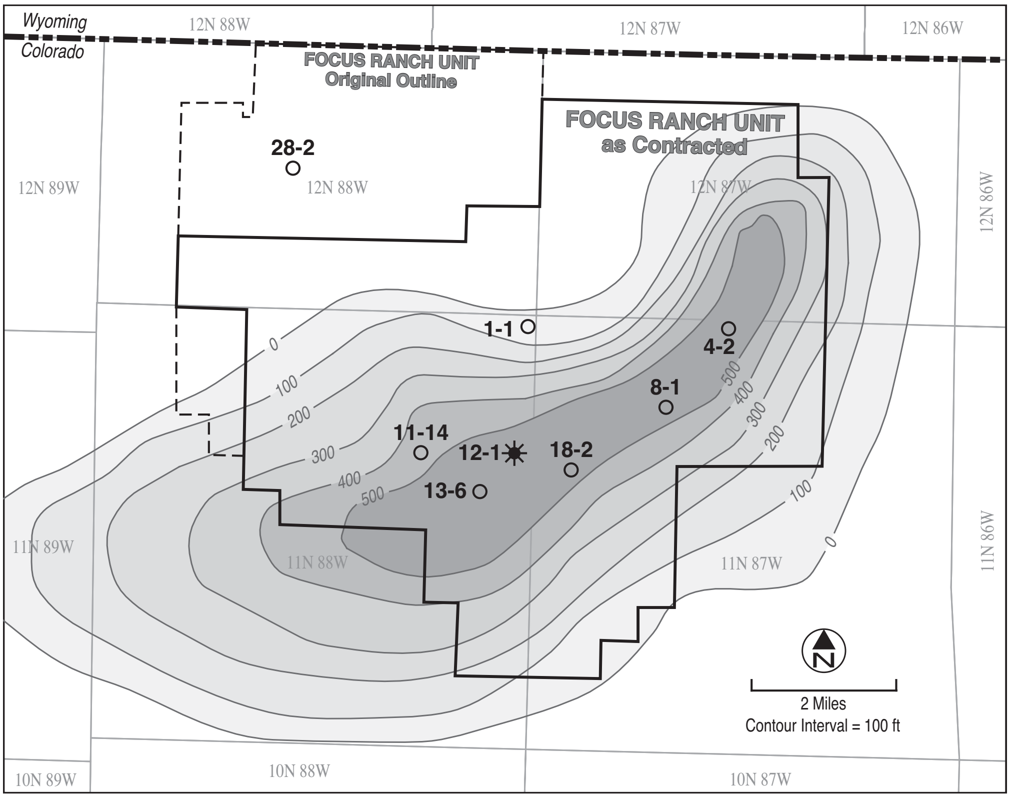
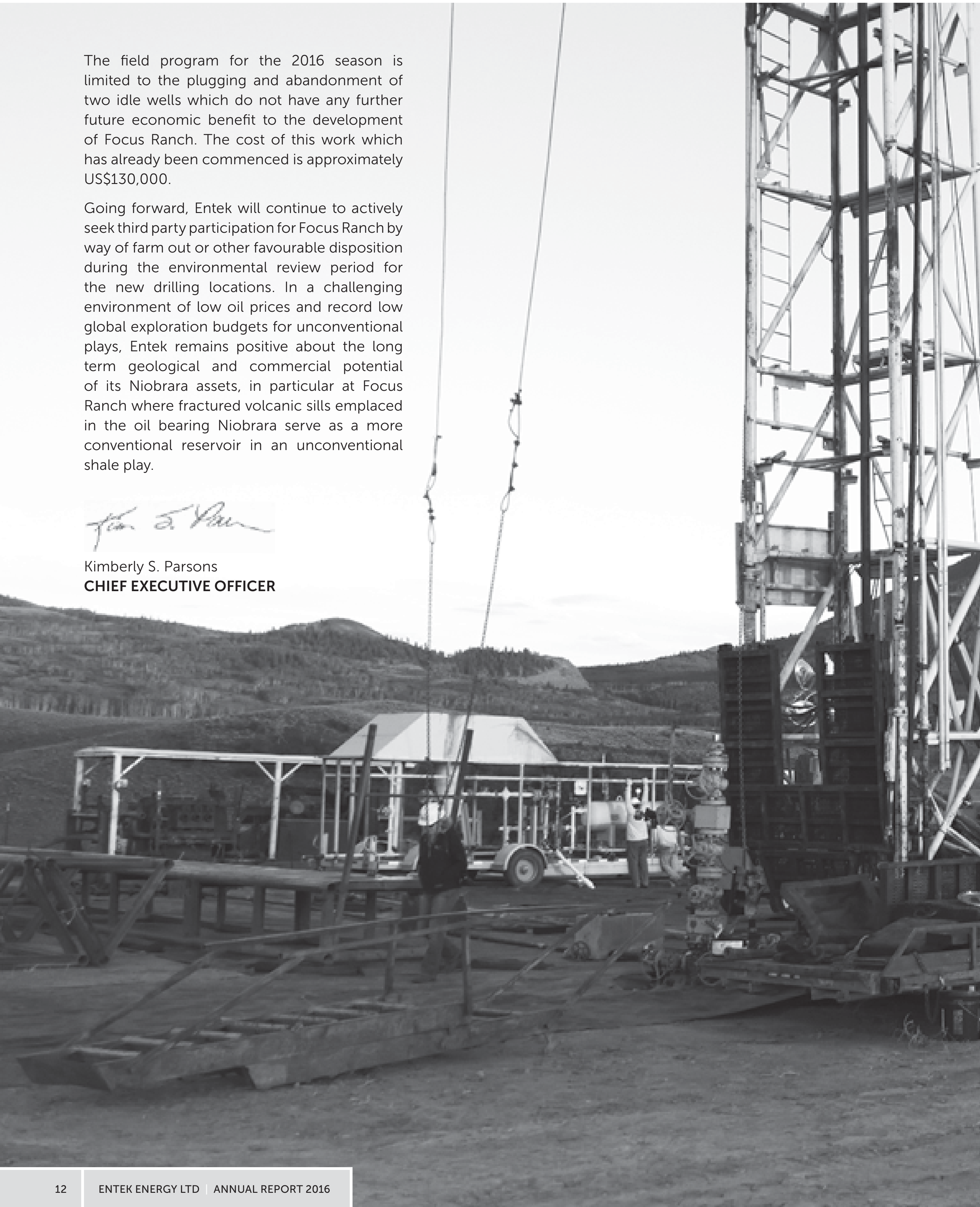



*Figure 4: Focus Ranch Unit showing original unit boundary, contracted unit boundary, 12-1 well and new locations in relationship to gross sill isopach (feet).*

# OPERATIONS REPORT



The field program for the 2016 season is limited to the plugging and abandonment of two idle wells which do not have any further future economic benefit to the development of Focus Ranch. The cost of this work which has already been commenced is approximately US$130,000.

Going forward, Entek will continue to actively seek third party participation for Focus Ranch by way of farm out or other favourable disposition during the environmental review period for the new drilling locations. In a challenging environment of low oil prices and record low global exploration budgets for unconventional plays, Entek remains positive about the long term geological and commercial potential of its Niobrara assets, in particular at Focus Ranch where fractured volcanic sills emplaced in the oil bearing Niobrara serve as a more conventional reservoir in an unconventional shale play.

Kimberly S. Parsons
**CHIEF EXECUTIVE OFFICER**

# DIRECTORS' REPORT

The Directors of Entek Energy Limited ABN 45 108 403 425 ("Parent Entity" or "Company") present their report including the consolidated annual financial report of the Company and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30 June 2016. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

**DIRECTORS**

The names of the directors of the Company in office at any time during or since the financial year and up to the date of this financial report are as follows. Directors were in office for the entire year unless otherwise stated.

Graham Douglas Riley
Kimberly Saar Parsons (appointed 22 July 2016)
Alexander Forcke
Andrew John Padman (resigned 22 July 2016)
Trent Benjamin Spry (resigned 6 January 2016)

**PRINCIPAL ACTIVITIES**

The principal activities of the Company during the year were oil and gas exploration, development and production and investment in the resources industry.

There were no significant changes in the nature of the principal activities during the financial year.

**OPERATING RESULTS**

The operating loss after discontinued operations for the Consolidated Entity, after income tax amounted to $20,113,430 (2015: loss of $9,926,539). Items material to the 2016 results include:

- The net profit attributable from discontinued operations of $4,314,026 (2015: loss of $959,786) resulted from the sale of the Gulf of Mexico interests. Cash received totalled US$2,000,000 and the provisions related to the future rehabilitation of the GA A133 and PN 975 interests were reversed contributing to the gain on sale of $4,201,502.

- A restatement of both the current and prior year results due to the change in treatment of foreign exchange gains and losses on the US$ denominated intercompany loan with a wholly owned subsidiary, Entek USA Inc. As at 30 June 2016 management has concluded that the loans will not be settled in the foreseeable future and therefore amended the accounting treatment to report any foreign exchange gains or losses on the loans directly in comprehensive income.

- Expensing of capitalised exploration expenditure of $2,825,826 compared to a total of $2,942,664 in 2015. The Company adopts the "successful methods" basis of accounting with regards to its onshore assets based in the Green River Basin.

- Impairment of capitalised expenditure of the written down value of the Green River Basin assets as at 30 June 2016 resulting in an impairment expense of $17,112,764 in the current year (2015: $4,591,528).

- An impairment of production plant and equipment assets totalling $3,161,639 (2015: $nil) in relation to the pipeline asset located in the Green River Basin area.

- Operating expenses have remained consistent with the prior year after accruing for the retrenchment of USA based staff at year end. Offsetting this have been reduced corporate costs resulting from a reduction in director fees and the resignation of the previous managing director, effective 6 January 2016.

## DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the year ended 30 June 2016.

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

There have been no significant changes in the state of affairs of the Consolidated Entity at the date of this report, not otherwise disclosed in this report.

## EVENTS SINCE THE END OF THE FINANCIAL YEAR

No matters or circumstances have arisen since the end of the financial year 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.

## LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Given the current state of the industry and low global oil price environment, the directors intend to actively continue pursuing third party interest for its oil and gas leases in the United States, either by way of farm-out or sale. The directors are of the opinion that further information as to the likely developments in the operations of the Company would prejudice the interests of the Company and it has accordingly not been included.

## ENVIRONMENTAL ISSUES

On 1 May 2010, the Company commenced as operator in the Green River Basin region of the United States of America. This basin encompasses parts of the States of Colorado and Wyoming. The Company complies with its environmental obligations in this area, and there have been no significant known breaches of the Company's licence or permit conditions. In addition, no Federal or State Government agency has notified the Company of any environmental breaches since commencement as operator. The Company has however provided the amount of $943,740 (US$700,000) in the event any such breach should occur.

## INFORMATION ON DIRECTORS AND COMPANY SECRETARY

### GRAHAM DOUGLAS RILEY

CHAIRMAN (NON-EXECUTIVE)

*Qualifications:*

Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia.

*Experience:*

Mr Riley is a qualified legal practitioner with significant experience in the resources sector, particularly in oil and gas exploration and production. He was a founding Director of ARC Energy Limited and a former Non-Executive Director of Adelphi Energy Limited prior to its takeover in 2010. Mr Riley was also Chairman of Red Hill Limited and Giralia Resources N.L., where prior to its takeover he oversaw the spin out of numerous independently listed commodity-specific explorers. He was the Chairman of Buru Energy Limited and is currently a Non-Executive Director of Gascoyne Resources Limited.

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

Non-Executive Chairman of Buru Energy Limited from 31 March 2009 to 23 May 2014. Non-Executive Director of Gascoyne Resources Limited from 5 October 2012 to the current date and Buru Energy Limited from 27 May 2008 to 23 May 2014.

*Special Responsibilities:*

Chairman of the Remuneration Committee and member of the Audit and Risk Committee.

*Interest in shares and options of the Company as at the date of signing this report:*

14,174,919 Ordinary Shares.

*Directors' meetings attended: 5 (eligible to attend 5).*

### KIMBERLY SAAR PARSONS

EXECUTIVE DIRECTOR appointed 22 July 2016

*Qualifications:*

Bachelor's degree in Geology from Texas A&M, a Master's degree in Geophysics from Stanford University, and an MBA from Colorado State University.

*Experience:*

Ms Parsons initially joined Entek in mid-2013 to head up the US operations and was promoted as Entek's CEO early in 2016. She was appointed an Executive Director on 22 July 2016. Kim has over 30 years' experience in the US Rocky Mountain region as well as internationally with Exxon, Gulf, and Venoco. Her technical calibre, expertise and insight, combined with her business acumen have propelled her from technical positions into senior management with each company she has been with. Ms Parsons has been instrumental in a number of significant commercial oil and gas discoveries throughout her career including the appraisal and early development of unconventional plays in the US.

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

None.

*Special Responsibilities:*

Chief Executive Officer.

*Interest in shares and options of the Company as at the date of signing this report:*

500,000 unlisted options exercisable at $0.06 before 31 December 2017 and 500,000 unlisted options exercisable at $0.08 before 31 December 2017.

*Directors' meetings attended: 0 (eligible to attend 0).*

**ALEXANDER FORCKE**
NON-EXECUTIVE DIRECTOR

*Qualifications:*

Bachelor of Commerce degree from the University of Western Australia. He is a member of the Australian Institute of Company Directors.

*Experience:*

Mr Forcke is a public company executive with considerable financial and commercial experience gained in over 25 years in both the resources and investment banking industries. Mr Forcke was the Executive Chairman of Adelphi Energy Limited, a successful ASX listed oil & gas explorer with US shale gas interests prior to being taken over in 2010. He was also a long standing Director of ARC Energy Limited in a commercial and financial executive role. Prior to entering the oil and gas industry, Mr Forcke had established an international career in project finance and investment banking, including the position as WA State Manager and Director of Project and Specialised Finance for AIDC Ltd.

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

None.

*Special Responsibilities:*

Member of the Remuneration Committee and Chairman of the Audit and Risk Committee.

*Interest in shares and options of the Company as at the date of signing this report:*

10,000,000 Ordinary Shares.

*Directors' meetings attended: 5 (eligible to attend 5).*

**TRENT BENJAMIN SPRY**
DIRECTOR AND CHIEF EXECUTIVE OFFICER (resigned 6 January 2016)

*Qualifications:*

Bachelor of Science from The University of Adelaide, Double Major Geology & Biochemistry, National Centre of Petroleum Geology & Geophysics (NCPGG), First Class Honours, 1993.

*Experience:*

Mr Spry commenced with the Company in December 2008 as General Manager and on 5th October 2010 he was appointed as a Director and Chief Executive Officer of the Company. Mr Spry resigned as Chief Executive Officer and Director of the Company on 6 January 2016.

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

None.

*Special Responsibilities: N/A.*

*Interest in shares and options of the Company as at the date of resignation:*

2,400,000 Ordinary shares.

*Directors' meetings attended: 3 (eligible to attend 3).*

**ANDREW JOHN PADMAN**
DIRECTOR (NON-EXECUTIVE) resigned 22 July 2016

*Qualifications:*

Mr Padman graduated from the University of Tasmania in 1976 with a Bachelor of Science in Geology and Geophysics, and with Bachelor of Science (Honours) in Geophysics in 1977. He is a member of the Australian Institute of Company Directors, the Australian Petroleum Production & Exploration Association and the Australian Society of Exploration Geophysicists.

*Experience:*

Mr Padman was appointed a Non-Executive Director in August 2008 and resigned on 22 July 2016.

*Directorships of other listed companies in the 3 years prior to the end of the Financial Year:*

None.

*Special Responsibilities:*

Mr Padman was Chairman of the Remuneration Committee and member of the Audit Committee throughout the year until his resignation on 22 July 2016.

*Interest in shares and options of the Company as at the date of resignation:*

1,560,000 Ordinary shares.

*Directors' meetings attended: 5 (eligible to attend 5).*

**NERIDA LEE SCHMIDT**
COMPANY SECRETARY

*Qualifications*

Ms Schmidt holds a Bachelor of Commerce from the University of Western Australia, is a Certified Practising Accountant and a Fellow of Finsia. She is also a Chartered Secretary and holds a Graduate Diploma in Company Secretarial Practice.

*Experience*

Ms Schmidt has over 25 years professional experience as the company secretary of a number of ASX and AIM listed companies in a variety of industries. She has also consulted to a number of listed and unlisted entities providing corporate, company secretarial, and financial services.

Prior to these roles, Nerida was a manager in the Corporate division of the full service stockbroking firm Paterson Ord Minnett and a member of the taxation and corporate recovery divisions of public accounting firm Arthur Andersen.

**DIRECTORS' MEETINGS**

During the year ended 30 June 2016, five (5) meetings of directors were held.

## REMUNERATION REPORT (AUDITED)

### (i) Key Management Personnel Disclosed in This Report

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

**DIRECTORS**

| | |
|---|---|
| Graham Riley | Non-Executive Chairman |
| Alexander Forcke | Non-Executive Director |
| Trent Spry | Executive Director & Chief Executive Officer (resigned 6 January 2016) |
| Andrew Padman | Non-Executive Director (resigned 22 July 2016) |
| Kimberly Parsons | Executive Director (appointed 22 July 2016) & Chief Executive Officer (appointed 6 January 2016), previously US Regional Manager |

**OTHER KEY MANAGEMENT PERSONNEL**

| | |
|---|---|
| David Christian | Director of Entek USA Inc |

### (ii) Remuneration Governance

The Remuneration Committee is a committee of the Board. It is primarily responsible for making recommendations to the Board on:

- The executive remuneration frame work
- Operation of incentive plans which apply to executive directors and senior executives
- Remuneration levels of executives
- Non-executive directors' fees

Their objective is to ensure that remuneration policies and structures are fair and competitive and aligned with the long term interests of the Company.

### (iii) Executive Remuneration Policy and Framework

Remuneration is based on fees approved by the Board of Directors. There is no relationship between the performance of, or the impact on shareholder wealth, of the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

### (iv) Non Executive Director Remuneration

The Company provided Mr Graham Riley, Chairman of the Company, with a Letter of Offer for the provision of his services as a Non-Executive Chairman on 1 February 2011. Under that Letter of Offer Mr Riley was paid $7,267 per month, as well as costs relating to performance of duties as a director. There is no termination notice period or termination benefit specified in this agreement. On 23 April 2015 the Company and Mr Riley signed an Amendment Letter whereby his monthly fee was reduced to $4,667 per month from 1 April 2015. Effective 1 March 2016, Mr Riley's fees were accrued and not paid until after the reporting period.

The Company has provided Mr Alexander Forcke, a director of the Company with a Letter of Offer for the provision of his services as a Non-Executive Director on 15 February 2011. Under that Letter of Offer Mr Forcke was paid $4,542 per month, as well as costs relating to the performance of his duties as a director. There is no termination notice period or termination benefit specified in this agreement. On 23 April 2015 the Company and Mr Forcke signed an Amendment Letter whereby the monthly fee was reduced to $2,917 per month from 1 April 2015. Effective 1 March 2016, Mr Forcke's fees were accrued but not paid until after the reporting period. Mr Forcke also provides commercial and corporate consultancy services to the Company from time to time and is remunerated for those services on industry standard terms in addition to his director's fees.

The Company has provided Mr Andrew Padman, a director of the Company with a Letter of Offer for the provision of his services as a Non-Executive Director on 1 September 2008. Under that Letter of Offer Mr Padman was paid $4,542 per month, as well as costs relating to the performance of his duties as a director. There is no termination notice period or termination benefit specified in this agreement. On 23 April 2015 the Company and Mr Padman signed an Amendment Letter whereby the monthly fee was reduced to $2,917 per month from 1 April 2015. Effective 1 March 2016, Mr Padman's fees were accrued but not paid until after the reporting period.

**(v) Service Agreements**

Remuneration and other terms of employment for the executives are formalised in service agreements specifying the components of remuneration, benefits and notice periods. Termination benefits are within the limits set by the *Corporations Act 2001* such that they do not require shareholder approval.

The Company entered into an agreement on 28 September 2011 with Premier Developments & Investments Pty Ltd, a company controlled by Mr Trent Spry, an Executive Director of the Company for his services as Chief Executive Officer. This agreement was extended in September 2014 to March 2015. On 1 April 2015 a new agreement was entered into and was valid until 31 December 2015. This agreement provided for remuneration of $19,500 (previously $30,625) per month based on 13 chargeable days, plus additional days worked at $1,500 per day, as well as reimbursement of mobile phone costs, professional membership costs and business related expenses. The agreement specified one month notice in the event it is terminated. In the event of termination under no fault of the contractor, Mr Spry qualified for a termination payment of three months. Aside from this benefit there were no other termination benefits specified in this agreement. On 6 January 2016 Mr Spry resigned as Managing Director and received a further $30,000 for consultancy services upon ceasing his contract.

The Company had an employment agreement with Ms Kimberly Parsons, Chief Executive Officer of the Company effective 6 January 2016 (previously the US Regional Manager) for the provision of her services. The agreement was for an unspecified period from 10 June 2013 and provides for remuneration of US$18,750 per month, as well as reimbursement of mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice period in the event it is terminated. This Agreement was modified, effective 1 April 2016, whereby the employment hours and base pay were reduced to 60% of normal hour per week. Ms Parsons is eligible for 3 months of 100% base pay in the event of termination of employment for other than negligence or misconduct. Subsequent to the end of the financial year, Ms Parsons' employment agreement was terminated for economic reasons and the contractual termination payment was made to her. Ms Parsons continues working for Entek on a contract basis with no minimum monthly or annual payments and no additional termination benefits. Ms Parsons is required to give 3 months' notice of resignation under this contractual relationship.

The Company pays Mr David Christian, Director of Entek USA Inc an hourly rate of US$300/hr and reimburses him for business expenses. The contract can be terminated by either party giving 30 days written notice.

## (vi) Details of Remuneration

| Total Remuneration 2016 | Salary and Fees $ | Termination $ | Super-annuation $ | Total $ | Share based payments Options $ | Total $ |
|---|---|---|---|---|---|---|
| **Remuneration of Directors based on fees approved by the Board of directors** | | | | | | |
| Trent Spry[1] | 173,250 | - | - | 173,250 | - | 173,250 |
| Graham Riley | 56,000 | - | - | 56,000 | - | 56,000 |
| Andrew Padman | 35,000 | - | - | 35,000 | - | 35,000 |
| Alexander Forcke[2] | 51,500 | - | - | 51,500 | - | 51,500 |
| **TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS** | 315,750 | - | - | 315,750 | - | 315,750 |
| **Remuneration of Executives based on approval by the Board of directors** | | | | | | |
| Kimberly Parsons [3] | 290,110 | 95,368 | - | 385,478 | - | 385,478 |
| **TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES** | 290,110 | 95,368 | - | 385,478 | - | 385,478 |

(1) *Premier Developments & Investment Pty Ltd, a company associated with the Director, provided consultancy services of $30,000 (2015: $Nil) after the termination of the appointment of Mr Trent Spry.*

(2) *During the year current year AF Consulting Pty Ltd, a company associated with the Director, provided consultancy services of $16,500 (2015: $3,750).*

(3) *Ms Parson's employment contract was terminated on 1 July 2016. A termination payout of A$95,368 was accrued at year end.*

### (vi) Details of Remuneration (continued)

| Total Remuneration 2015 | Salary and Fees $ | Termination $ | Super-annuation $ | Total $ | Share based payments Options $ | Total $ |
|---|---|---|---|---|---|---|
| **Remuneration of Directors based on fees approved by the Board of directors** | | | | | | |
| Trent Spry | 334,375 | - | - | 334,375 | - | 334,375 |
| Graham Riley | 79,400 | - | - | 79,400 | - | 79,400 |
| Andrew Padman | 49,625 | - | - | 49,625 | - | 49,625 |
| Alexander Forcke[(1)] | 53,375 | - | - | 53,375 | - | 53,375 |
| **TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS** | 516,775 | - | - | 516,775 | - | 516,775 |
| **Remuneration of Executives based on approval by the Board of directors** | | | | | | |
| Andrew Gastevich [(2)] | - | 53,574 | 5,459 | 59,033 | - | 59,033 |
| Kimberly Parsons | 295,187 | - | - | 295,187 | 6,109 | 301,296 |
| **TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES** | 295,187 | 53,574 | 5,459 | 354,220 | 6,109 | 360,329 |

(4) *During the prior year AF Consulting Pty Ltd, a company associated with the Director, provided consultancy services of $3,750 (2014: $13,250).*

(5) *Mr Gastevich ceased employment on 28 September 2014.*

### (vii) Details of Share Based Compensation and Bonuses

There were no share based compensations or bonuses granted or exercised as remuneration to key management personnel of the Group during the year.

2,000,000 options previously issued to Ms Kimberly Parsons lapsed on 30 June 2016.

**(viii) Equity Instruments held by Key Management Personnel**

The following tables show the number of equity instruments held during the financial year by key management personnel of the group including those close family members and entities related to them.

| Options Held by Key Management Personnel | Number of Options | | | |
|---|---|---|---|---|
| | 1 July 2015 | Granted as Remuneration | Net Change Other | 30 June 2016 |
| Trent Spry [1] | - | - | - | - |
| Graham Riley | - | - | - | - |
| Andrew Padman | - | - | - | - |
| Alexander Forcke | - | - | - | - |
| David Christian | - | - | - | - |
| Kimberly Parsons | 3,000,000 | - | (2,000,000) | 1,000,000 |
| | 3,000,000 | - | (2,000,000) | 1,000,000 |

(1) *Mr Spry resigned as a Director on 6 January 2016.*

| Options Held by Key Management Personnel | Number of Options | | | |
|---|---|---|---|---|
| | 1 July 2014 | Granted as Remuneration | Net Change Other | 30 June 2015 |
| Trent Spry | - | - | - | - |
| Graham Riley | - | - | - | - |
| Andrew Padman | - | - | - | - |
| Alexander Forcke | - | - | - | - |
| Andrew Gastevich [1] | - | - | - | - |
| David Christian | - | - | - | - |
| Kimberly Parsons | 2,000,000 | 1,000,000 | - | 3,000,000 |
| | 2,000,000 | 1,000,000 | - | 3,000,000 |

(2) *Mr Gastevich ceased employment on 28 September 2014.*

At 30 June 2016, all options held by directors and key management were fully vested.

**(viii) Equity Instruments held by Key Management Personnel (continued)**

| Shares held by Key Management Personnel | Number of Shares | | | |
|---|---|---|---|---|
| | 1 July 2015 | Granted as Remuneration | Net Change Other | 30 June 2016 |
| Trent Spry [(1)] | 2,400,000 | - | (2,400,000) | - |
| Graham Riley | 14,174,919 | - | - | 14,174,919 |
| Andrew Padman | 1,560,000 | - | - | 1,560,000 |
| Alexander Forcke | 10,000,000 | - | - | 10,000,000 |
| David Christian | - | - | - | - |
| Kimberly Parsons | - | - | - | - |
| | 28,134,919 | - | (2,400,000) | 25,734,919 |

[(1)] *Mr Spry resigned as a Director on 6 January 2016.*

| Shares held by Key Management Personnel | Number of Shares | | | |
|---|---|---|---|---|
| | 1 July 2014 | Granted as Remuneration | Net Change Other | 30 June 2015 |
| Trent Spry | 1,945,000 | - | 455,000 | 2,400,000 |
| Graham Riley | 14,174,919 | - | - | 14,174,919 |
| Andrew Padman | 1,350,000 | - | 210,000 | 1,560,000 |
| Alexander Forcke | 9,531,259 | - | 468,741 | 10,000,000 |
| Andrew Gastevich[(1)] | 600,000 | - | (600,000) | - |
| David Christian | - | - | - | - |
| Kimberly Parsons | - | - | - | - |
| | 27,601,178 | - | 533,741 | 28,134,919 |

[(1)] *Mr Gastevich ceased employment on 28 September 2014.*

(**End of audited remuneration report**)

## SHARES UNDER OPTIONS

At the date of this report the following unlisted options have been granted over unissued capital:

| Grant Date | Number | Exercise Price<br>$ | Expiry Date |
|---|---|---|---|
| 30 January 2015 | 2,000,000 | 0.06 | 31/12/2017 |
| 30 January 2015 | 2,000,000 | 0.08 | 31/12/2017 |
| | 4,000,000 | | |

During the year ended 30 June 2016 and up to the date of this report, no options were exercised however 2,000,000 options expired and 1,500,000 options were forfeited. No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

## INDEMNIFYING AND INSURING DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of $28,506 (2015: $20,691). Except as disclosed above, the Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or

b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

## PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

## NON-AUDIT SERVICES

No non-audit services were provided by the Group's auditors during the year (or by any other person or firm on the auditors' behalf) and accordingly the Directors are satisfied that the auditor has complied with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

## AUDITOR'S INDEPENDENCE DECLARATION

In accordance with Section 307C of the *Corporations Act 2001*, the auditors of the Company, Stantons International have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2016. This declaration has been included in this document.

**CORPORATE GOVERNANCE**

The directors of the Group support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. Please refer to the corporate governance statement dated 9 September 2016 released to ASX and posted on the Company website at www.entekenergy.com.au/about/corporate-governance.

Signed in accordance with a resolution of the Directors

Graham Riley
Chairman

9 September 2016
Perth, Western Australia

# DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Entek Energy Limited ABN 43 108 425 ("Company"), I state that:

In the opinion of the directors:

1) the financial statement and notes of the Company and of the Consolidated Entity to these statements are in accordance with the *Corporations Act 2001* including:

   a) complying with Accounting Standards and the Corporations Regulations 2001; and

   b) giving a true and fair view of the financial position as at 30 June 2016 and of the performance for the year ended on that date of the Company and the Consolidated Entity;

2) the Chief Executive Officer and Non-Executive Director Alexander Forcke have each declared that:

   a) the financial records of the Company for the year ended 30 June 2016 have been properly maintained in accordance with Section 286 of the *Corporations Act 2001*;

   b) the financial statements and notes for the financial year comply with the Accounting Standards;

   c) the financial statements and notes for the financial year give a true and fair view;

3) the financial statements and notes for the financial year also comply with International Financing Reporting Standards as disclosed in Note 1; and

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

On behalf of the Board of Directors

Graham Riley
Chairman

9 September 2016
Perth, Western Australia

# FINANCIAL STATEMENTS

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

| | Note | Consolidated Entity 2016 $ | 2015 * $ |
|---|---|---|---|
| Revenue | 2 | 37,116 | 23,934 |
| Unrealised foreign currency gains | | - | 1,671 |
| Impairment of capitalised exploration expenditure | | (17,112,764) | (4,591,528) |
| Impairment of production plant and equipment | | (3,161,639) | - |
| Expenses | 2 | (4,190,169) | (4,400,830) |
| **Loss from continuing operations before income tax** | | (24,427,456) | (8,966,753) |
| Income tax | 3 | - | - |
| **Loss from continuing operations after income tax** | 5 | (24,427,456) | (8,966,753) |
| **Profit/(loss) from discontinued operations** | 26 | 4,314,026 | (959,786) |
| **Loss from after income tax** | 4 | (20,113,430) | (9,926,539) |
| **Other comprehensive income** | | | |
| Items which are subsequently transferred to Profit and Loss: | | | |
| Foreign currency translation differences | | 1,088,857 | 5,177,276 |
| Income tax on other comprehensive income | 3 | - | - |
| **Total comprehensive income/(loss) for the year, net of income tax** | | 1,088,857 | 5,177,276 |
| **Total comprehensive (loss) for the year** | | (19,024,573) | (4,749,263) |
| **Basic and diluted loss from continuing operations per share (cents per share)** | 5 | (4.78) | (1.76) |
| **Basic and diluted earnings/(loss) from discontinued operations per share (cents per share)** | 5 | 0.84 | (0.19) |
| **Basic and diluted loss per share (cents per share)** | 5 | (3.94) | (1.95) |

The above consolidated Statement of Profit or Loss and other Comprehensive Income should be read in conjunction with the accompanying notes.

* Certain numbers included in this Statement of Profit or Loss and other Comprehensive Income do not correspond to the 30 June 2015 financial report and reflect adjustments made, refer to Note 1.

# STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

| | | Consolidated Entity | |
|---|---|---|---|
| | | **2016** | **2015** |
| | **Note** | **$** | **$** |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 15 | 3,686,537 | 6,261,842 |
| Trade and other receivables | 6(a) | 257,194 | 412,438 |
| Inventory | 7 | 20,223 | 62,668 |
| **Total Current Assets** | | 3,963,954 | 6,736,948 |
| **NON-CURRENT ASSETS** | | | |
| Trade and other receivables | 6(b) | 377,148 | 429,488 |
| Plant and equipment | 8 | 11,798 | 67,734 |
| Capitalised exploration expenditure | 9 | - | 14,036,100 |
| Production plant and equipment | 10 | - | 3,212,193 |
| **Total Non-Current Assets** | | 388,946 | 17,745,515 |
| **Total Assets** | | 4,352,900 | 24,482,463 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 11 | 757,695 | 529,300 |
| Provisions | 12(a) | 18,962 | 19,283 |
| **Total Current Liabilities** | | 776,657 | 548,583 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 12(b) | 943,740 | 2,285,967 |
| **Total Non-Current Liabilities** | | 943,740 | 2,285,967 |
| **Total Liabilities** | | 1,720,397 | 2,834,550 |
| **Net Assets** | | 2,632,503 | 21,647,913 |
| **EQUITY** | | | |
| Issued capital | 13 | 59,791,934 | 59,791,934 |
| Reserves | 14 | 10,318,899 | 9,220,879 |
| Accumulated losses | 4 | (67,478,330) | (47,364,900) |
| **Total Equity** | | 2,632,503 | 21,647,913 |

The above consolidated statement of Financial Position should be read in conjunction with the accompanying notes.

# STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2016

| | Note | Consolidated Entity 2016 $ | 2015 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Receipts from customers | | 335,835 | 1,780,949 |
| Payments to suppliers & employees | | (1,034,911) | (1,604,103) |
| Interest received | | 4,710 | 4,129 |
| **Net Cash (used in)/from Operating Activities** | 15 | (694,366) | 180,975 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Capitalised exploration expenditure | | (4,803,344) | (3,032,608) |
| Capitalised production expenditure | | (122,640) | (210,228) |
| Purchase of plant and equipment | | (2,165) | - |
| Purchase of exploration assets | | - | (576,000) |
| Proceeds from sale of assets | | 21,283 | 6,817 |
| Placement of security bond | | (130,904) | (201,165) |
| Refund of security bond | | 188,748 | 4,763 |
| Proceeds from sale of production licenses | | 2,755,083 | - |
| **Net Cash (used in) Investing Activities** | | (2,093,939) | (4,008,421) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from equity issues (net of issue expenses) | | - | - |
| **Net Cash from/ (used in) Financing Activities** | | - | - |
| **Net Decrease in Cash Held** | | (2,788,305) | (3,827,446) |
| Net foreign exchange differences | | 213,000 | 1,661,519 |
| Cash and cash equivalents at beginning of year | | 6,261,842 | 8,427,769 |
| **Cash and cash equivalents at end of Year** | 15 | 3,686,537 | 6,261,842 |

The above consolidated statement of Cashflows should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2016

| | CONSOLIDATED ENTITY | | | | |
|---|---|---|---|---|---|
| **ATTRIBUTABLE TO MEMBERS OF THE GROUP** | **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 |
| Loss for year | - | - | - | (9,926,539) | (9,926,539) |
| Foreign currency translation differences | - | - | 5,177,276 | - | 5,177,276 |
| Total other comprehensive income | - | - | 5,177,276 | - | 5,177,276 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | - | - | 5,177,276 | (9,926,539) | (4,749,263) |
| Securities issued | - | - | - | - | - |
| Equity raising costs | - | - | - | - | - |
| Share based payments | - | 24,435 | - | - | 24,435 |
| **At 30 June 2015** | 59,791,934 | 5,565,788 | 3,655,091 | (47,364,900) | 21,647,913 |
| Loss for year | - | - | - | (20,113,430) | (20,113,430) |
| Foreign currency translation differences | - | - | 1,088,857 | - | 1,088,857 |
| Total other comprehensive income | - | - | 1,088,857 | - | 1,088,857 |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR** | - | - | 1,088,857 | (20,113,430) | (19,024,573) |
| Securities issued | - | - | - | - | - |
| Equity raising costs | - | - | - | - | - |
| Share based payments | - | 9,163 | - | - | 9,163 |
| **At 30 June 2016** | 59,791,934 | 5,574,951 | 4,743,948 | (67,478,330) | 2,632,503 |

The above consolidated statement of Changes in Equity should be read in conjunction with the accompanying notes.

## NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The following is a summary of the significant accounting policies adopted by Entek Energy Limited A.C.N. 108 403 425 (“Parent Entity” or "Company") and by the Parent Entity and its controlled entities (“Consolidated Entity” or “Group”) in the preparation of these financial statements. The financial report was approved by the Board of Directors on 9 September 2016.

**Basis of Preparation of Accounts**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Separate financial statements for Entek Energy Limited as an individual entity are no longer presented as the consequence of a change to the *Corporations Act 2001*, however, required financial information for Entek Energy Limited as an individual entity is included in Note 29.

The financial report has been prepared on an accruals basis and is based on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is Australian Dollars.

**Change of Accounting Treatment**

At 30 June 2016, the Company reviewed the recoverability of intercompany loans with subsidiaries with foreign operations. In according with AASB 121, the accounting treatment for the foreign exchange differences arising on translation of the intercompany loans at reporting date is dependent upon whether the settlement of the loans is likely in the foreseeable future. At the reporting date, the Group has concluded that the loans will not be settled in the foreseeable future, and the foreign exchange on the loans should be accounted for directly in other comprehensive income. The prior year results have also been amended to reflect this change in accounting treatment.

The effect of the change in accounting treatment has resulted in the restatement of the financial statement line items for the prior period as follows:

| | Consolidated Entity 2015 $ |
|---|---|
| **Impact on equity (increase/(decrease) in equity):** | |
| Reserves | 14,366,681 |
| Accumulated losses | (14,366,681) |
| | - |
| **Impact on statement of profit or loss (increase/(decrease) in profit):** | |
| Other income | (14,366,681) |
| **Net impact on loss for the year** | |
| Attributable to equity holders of the parent | (14,366,681) |
| **Net impact on other comprehensive income** | |
| Attributable to equity holders of the parent | 14,366,681 |
| **The change in the accounting treatment has no effect on the Statement of Cashflows.** | |
| **Impact on basic and diluted earnings per share (EPS) ((increase/(decrease) in EPS):** | |
| Basic loss per share | (1.07) |
| Diluted loss per share | (1.07) |

**Summary of Significant Accounting Policies**

The following is a summary of the significant accounting policies adopted by the Company in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

**a) Basis of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Entek Energy Limited) and all of the subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 20.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non controlling interests". The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary's net assets on liquidation at either fair value or at the non-controlling interests' proportionate share of the subsidiary's net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

**b) 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 onshore assets or future capital raising. 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.

**c) Foreign Currency Translation**

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences in the consolidated financial report are taken to the Statement of Profit or Loss and other Comprehensive Income. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Statement of Profit or Loss and other Comprehensive Income. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currency of overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the reporting date and the Statement of Profit or Loss and other Comprehensive Income are translated at the average exchange rates for the period. The exchange differences arising on the retranslation 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 Statement of Profit or Loss and other Comprehensive Income.

**d) Taxes**

Income Tax

Deferred income tax is provided on all temporary differences at the Statement of Financial Position 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 where 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; and

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

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 utilised:

- except where 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; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are 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 reporting 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. 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 substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Profit or Loss and other Comprehensive Income.

**e) Employee Benefits**

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non-monetary benefits; annual leave; long service leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

**f) Cash and Cash Equivalents**

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

**g) Revenue Recognition**

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**h) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except: where 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 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 Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**i) Impairment of Assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and 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). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the financial statements unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase/decrease. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

**j) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

**k) 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 share proceeds received.

**l) Property, Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – over 20 years
Plant and equipment – over 2 to 15 years
Pipeline – over 25 years

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. 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. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. 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.

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

**m) Trade and Other Receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

**n) Trade and Other Payables**

Trade payables and other payables are carried at amortised cost which represents future liabilities for goods and services received, whether or not billed to the Company.

**o) Investments:**

*- Investments and other financial assets*

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end. All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace.

*- Available-for-sale investments*

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

Impairment of financial assets:

*- Impairment of available-for-sale investments*

If there is objective evidence that an available-for-sale investment is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to the Statement of Profit or Loss and other Comprehensive Income. Reversals of impairment losses for equity instruments classified as available-for-sale are not recognised in profit. Reversals of impairment losses for debt instruments are reversed through profit or loss if the increase in an instrument's fair value can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

*- Derecognition of financial assets*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

**p) Inventories**

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

**q) Exploration and Development Expenditure**

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Due diligence costs associated with exploration and development expenditure are fully written off. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the relevant permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

**r) Share-based Payment Transactions**

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (‘equity-settled transactions’). There is currently an Employee Share Option Plan in place to provide these benefits, which provides benefits to directors and executives. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black & Scholes method. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (‘market conditions’). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (‘vesting date’). 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) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately.

However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

**s) Earnings Per Share**

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the Parent Entity, adjusted for: costs of servicing equity; and other non-discretionary changes in revenues or 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.

**t) Interests in Joint Ventures**

The Consolidated Entity’s share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. The Consolidated Entity’s interests in joint venture entities are brought to account using the proportionate method of accounting in the consolidated financial statements. The Parent Entity’s interests in joint venture entities are brought to account using the cost method.

**u) Comparatives**

Comparatives are restated where necessary to ensure disclosure is consistent with the current year.

**v) Fair Value of Assets and Liabilities**

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

*Valuation techniques*

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability, The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

*Fair value hierarchy*

AASB 13 requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

*Level 1*

Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

*Level 2*

Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

*Level 3*

Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The Group would change the categorisation within the fair value hierarchy only in the following circumstances:

(i) if a market that was previously considered active (Level 1) became inactive (Level 2 or Level 3) or vice versa; or
(ii) if significant inputs that were previously unobservable (Level 3) became observable (Level 2) or vice versa.

When a change in the categorisation occurs, the Group recognises transfers between levels of the fair value hierarchy (i.e. transfers into and out of each level of the fair value hierarchy) on the date the event or change in circumstances occurred.

**w) Significant Accounting Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

*Exploration and evaluation assets*

The Group's accounting policy for exploration and development expenditure is set out in Note 1(q). 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 are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under other policy, it is concluded that the Company is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Statement of Profit or Loss and other Comprehensive Income.

*Significant accounting estimates and assumptions*

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

*Recovery of deferred assets*

Deferred tax assets are recognised for deductible temporary differences when management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

*Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black & Scholes model, taking into account the terms and conditions upon which the instruments were granted.

**x) New Standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the AASB which are not yet mandatorily applicable to the Group have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

- *AASB 9 Financial Instruments* and associated Amending Standards (applicable for annual reporting period commencing 1 January 2018).

  The Standard will be applicable retrospectively (subject to the comment on hedge accounting below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

  Key changes made to this standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income.

  Although the directors anticipate that the adoption of AASB 9 may have an impact on the Group's financial instruments it is impractical at this stage to provide a reasonable estimate of such impact.

- *AASB 15: Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2017).

  When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

  The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

  This Standard will require retrospective restatement, as well as enhanced disclosures regarding revenue. The directors anticipate that the adoption of AASB 15 will have no impact on the Group's financial statements.

- *AASB 16: Leases* (applicable to annual reporting periods commencing on or after 1 January 2019).

  AASB 16 removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short term leases (less than 12 months) and leases of a low value are exempt from the lease accounting requirements. Lessor accounting remains similar to current practice.

  Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2014-3: Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]

  AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:

  (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11

  (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations

  This Standard also makes an editorial correction to AASB 11.

- AASB 2014-9: Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (AASB 2014-9 applies to annual reporting periods beginning on or after 1 January 2016. Early adoption permitted).

  AASB 2014-9 amends AASB 127 Separate Financial Statements, and consequentially amends AASB 1 First-time Adoption of Australian Accounting Standards and AASB 128 Investments in Associates and Joint Ventures, to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements. AASB 2014-9 also makes editorial corrections to AASB 127.

- *Other standards not yet applicable*
  There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | Consolidated Entity 2016 $ | Consolidated Entity 2015 $ |
|---|---|---|
| **NOTE 2. REVENUE** | | |
| Net loss before Income tax expense include the following revenues and expenses where disclosure is relevant in explaining the performance of the consolidated entities: | | |
| REVENUE | | |
| Oil and gas sales | 32,406 | 19,805 |
| Interest received from other persons | 4,710 | 4,129 |
| | 37,116 | 23,934 |
| CHARGING AS EXPENSES | | |
| Capitalised exploration written off | (2,825,826) | (2,942,664) |
| Plant and equipment written off | - | (2,486) |
| Write down of inventory | (45,424) | - |
| Depreciation | (264,592) | (250,505) |
| Consultancy fees | (71,469) | (66,393) |
| Remuneration of officers and employees | (393,733) | (608,008) |
| Cost of share based payments | (9,163) | (24,435) |
| Other operating expenses | (579,962) | (506,339) |
| | (4,190,169) | (4,400,830) |
| **NOTE 3. INCOME TAX** | | |
| Reconciliation of the prima facie income tax on operating loss from ordinary activities with the income tax expense in the financial statements: | | |
| Prima facie income tax benefit on operating loss calculated at 30% | (6,034,028) | 1,332,132 |
| Cost of share based payments | 2,749 | 7,331 |
| Other | 459 | 172 |
| | (6,030,820) | 1,339,635 |
| Movement in unrecognised temporary differences | 4,314,315 | (2,490,313) |
| Income tax benefit not brought to account as realisation of the benefit is not virtually certain | 1,716,505 | 1,150,678 |
| **Income Tax Expense from Ordinary Activities** | - | - |

| | Consolidated Entity | |
|---|---|---|
| | **2016** **$** | **2015** **$** |
| **Unrecognised deferred tax balances** | | |
| *Deferred Tax Assets* | | |
| Tax losses | 21,009,515 | 18,895,430 |
| Tax losses on capital account | 383,162 | 383,162 |
| Accrued expenses | 8,250 | 7,587 |
| Provisions for expenses | 5,689 | 5,785 |
| Capital raising costs | - | 221 |
| Capitalised drilling acquisition costs | 2,188,861 | - |
| **Total deferred tax assets** | 23,595,477 | 19,292,185 |
| *Deferred Tax Liabilities* | | |
| Prepayments | - | (367) |
| Capitalised exploration expenditure/Production plant and equipment | - | (1,553,187) |
| **Total deferred tax liabilities** | - | (1,553,554) |
| **Net deferred tax asset not brought to account** | 23,595,477 | 17,738,631 |

The net future income tax benefit not brought to account includes provisions and capital raising costs that will realise a benefit to the Company only if the Company derives future assessable income of a nature and amount sufficient to enable the benefits to be realised, the Company continues to comply with the conditions for deductibility imposed by law, and no changes in tax legislation adversely affect the ability of the Company to realise the benefits.

## NOTE 4. ACCUMULATED LOSSES

| | | |
|---|---|---|
| Accumulated losses at the beginning of the financial year | (47,364,900) | (37,438,361) |
| Net loss for the financial year | (20,113,430) | (9,926,539) |
| **Accumulated losses at the end of the financial year** | (67,478,330) | (47,364,900) |

## NOTE 5. LOSS PER SHARE

| | | |
|---|---|---|
| Basic and diluted loss from continuing operations per share (cents per share) (1) | (4.78) | (1.76) |
| Basic and diluted income/(loss) from discontinued operations per share (cents per share) (1) | 0.84 | (0.19) |
| Basic and diluted loss per share (cents per share) (1) | (3.94) | (1.95) |
| Loss from continued operations used in the calculation of basic EPS | (24,427,456) | (8,966,753) |
| Income/(loss) from discontinued operations used in the calculation of diluted EPS(1) | 4,314,026 | (959,786) |
| Loss used in the calculation of basic and diluted EPS(1) | (20,113,430) | (9,926,539) |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share | 510,657,387 | 510,657,387 |
| Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share | 510,657,387 | 510,657,387 |

During the year ended 30 June 2016, no options to subscribe for ordinary shares were issued to employees or exercised. 2,000,000 options expired and 1,500,000 options were forfeited, leaving 4,000,000 options outstanding at 30 June 2016 (Note 18).

(1) Share options issued during the year have not been included in the calculation of diluted loss per share as they are anti-dilutive.

| | Consolidated Entity 2016 $ | Consolidated Entity 2015 $ |
|---|---|---|
| **NOTE 6. TRADE & OTHER RECEIVABLES** | | |
| **(a) TRADE & OTHER RECEIVABLES (CURRENT)** | | |
| Trade debtors | - | 148,729 |
| Other debtors and prepayments | 257,194 | 263,709 |
| | 257,194 | 412,438 |

Other debtors are non-interest bearing and generally on 30 to 60 day terms. The other classes within trade and other receivables do not contain impaired assets and are not past due.

| | 2016 $ | 2015 $ |
|---|---|---|
| **(b) TRADE & OTHER RECEIVABLES (NON CURRENT)** | | |
| Other debtors | 377,148 | 429,488 |
| | 377,148 | 429,488 |
| **NOTE 7. INVENTORY** | | |
| Consumables | 20,223 | 62,668 |
| | 20,223 | 62,668 |
| **NOTE 8. PLANT AND EQUIPMENT** | | |
| At cost | 235,500 | 274,064 |
| Accumulated depreciation | (223,702) | (206,330) |
| | 11,798 | 67,734 |
| At the beginning of the financial year | 67,734 | 113,135 |
| Additions | 2,165 | - |
| Depreciation expense | (38,769) | (52,729) |
| Written down value of assets sold or written off | (21,283) | (2,486) |
| Foreign exchange adjustment | 1,951 | 9,814 |
| **Total Plant and Equipment** | 11,798 | 67,734 |

| | Consolidated Entity 2016 $ | Consolidated Entity 2015 $ |
|---|---|---|
| **NOTE 9. CAPITALISED EXPLORATION EXPENDITURE** | | |
| Cost at the beginning of the financial year | 22,631,447 | 21,701,383 |
| Additions | 5,144,704 | 4,199,143 |
| Asset write downs/farm downs | (2,883,115) | (2,942,362) |
| Impairment of asset | (17,112,764) | (4,696,900) |
| Sale of assets – Cost | (8,908,822) | - |
| Foreign Exchange Adjustment | 1,128,550 | 4,370,183 |
| Cost at the end of the financial year | - | 22,631,447 |
| *Less Amortisation costs* | | |
| At the beginning of the financial year | (8,595,347) | (6,889,321) |
| Amortisation charge for the year | - | (108,993) |
| Sale of assets – Accumulated amortisation | 8,908,822 | |
| Foreign Exchange Adjustment | (313,475) | (1,597,033) |
| At the end of the financial year | - | (8,595,347) |
| **Net Capitalised Exploration** | - | 14,036,100 |

The Company completed the sale of the Gulf of Mexico interests in May 2016 – refer Note 26 for further comment. The Company also completed an extensive review of the capitalised exploration expenditures at year end resulting in the impairment of all interests in the GRB. Accordingly, an impairment expense of $17,112,764 has been incurred during the current year (2015: $4,696,900).

**NOTE 10. PRODUCTION PLANT AND EQUIPMENT**

| | 2016 $ | 2015 $ |
|---|---|---|
| At cost | 3,939,395 | 6,790,787 |
| Accumulated depreciation | (3,939,395) | (3,578,594) |
| **Total Production Plant and Equipment** | - | 3,212,193 |
| *Movement in net carrying value* | | |
| At the beginning of the financial year | 3,212,193 | 3,663,486 |
| Additions | - | 210,229 |
| Amortisation | - | (210,229) |
| Depreciation charge for the year | (225,823) | (696,844) |
| Impairment of production plant and equipment | (3,161,639) | (499,879) |
| Foreign Exchange Adjustment | 175,269 | 745,430 |
| **Total Production Plant and Equipment** | - | 3,212,193 |
| **Total Interest in North American Oil and Gas Projects** | - | 17,248,293 |

The consolidated entity purchased the remaining interests in the Slater Dome Partnership, LLLP partnership during the year, resulting in 100% ownership of a pipeline located within the Niobrara Oil Gas play. Depreciation of the pipeline for the current year is $225,823 (2015: $197,775). At the end of the financial year, the Company impaired the written down value of the pipeline resulting in an impairment expense of $3,161,639.

| | Consolidated Entity | |
|---|---|---|
| | 2016 $ | 2015 $ |
| **NOTE 11. TRADE AND OTHER PAYABLES (CURRENT)** | | |
| Trade creditors and accrued expenses | 757,695 | 529,300 |
| | 757,695 | 529,300 |
| Trade creditors are non-interest bearing and generally on 30 day terms. There are no past due creditors included in the above figure. | | |
| **NOTE 12. PROVISIONS** | | |
| **(a). PROVISIONS (CURRENT)** | | |
| Employee entitlements | 18,962 | 19,283 |
| | 18,962 | 19,283 |
| **(b). PROVISIONS (NON-CURRENT)** | | |
| Provision for rehabilitation | 943,740 | 2,285,967 |
| | 943,740 | 2,285,967 |
| **NOTE 13. ISSUED CAPITAL** | | |
| 510,657,387 (2015: 510,657,387) fully paid ordinary shares | 59,791,934 | 59,791,934 |
| *Movements in Ordinary Shares* | | |
| At the beginning of the financial year | 59,791,934 | 59,791,934 |
| Movement | - | - |
| **At the End of the Financial Year** | 59,791,934 | 59,791,934 |

The Company issued no shares during the 2016 or 2015 financial years.

**Terms and conditions of contributed equity**

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.

**Capital Management**

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

| | Consolidated Entity | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| **NOTE 14. RESERVES** | | |
| Option premium reserve | 5,574,951 | 5,565,788 |
| Currency translation reserve | 4,743,948 | 3,655,091 |
| | 10,318,899 | 9,220,879 |
| *Movements in option premium reserve* | | |
| At the beginning of the financial year | 5,565,788 | 5,541,353 |
| Share based payments expense | 9,163 | 24,435 |
| **At the end of the financial year** | 5,574,951 | 5,565,788 |
| *Movements in currency translation reserve* | | |
| At the beginning of the financial year | 3,655,091 | (1,522,185) |
| Movement for the year | 1,088,857 | 5,177,276 |
| **At the end of the financial year** | 4,743,948 | 3,655,091 |

The option premium reserve is used to accumulate the fair value of options issued. During the year, 2,000,000 options expired, 1,500,000 options were forfeited and no options were exercised.

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

| | Consolidated Entity 2016 $ | Consolidated Entity 2015 $ |
|---|---|---|
| **NOTE 15. CASH FLOW INFORMATION** | | |
| Reconciliation of cash flow from operations with loss after income tax | | |
| Loss after tax | (20,113,430) | (9,926,539) |
| *Non-cash flows in loss* | | |
| Depreciation of plant and equipment | 264,592 | 749,573 |
| Unrealised foreign exchange differences | - | (1,671) |
| Exploration expenditure written off | 2,825,826 | 2,942,664 |
| Amortisation | - | 319,222 |
| Impairment of inventory | 45,424 | - |
| Impairment of capitalised expenditure | 17,112,764 | 4,696,900 |
| Impairment of production plant and equipment | 3,161,639 | - |
| Production plant and equipment written off | 57,289 | 499,879 |
| Provision for abandonment | - | 378,405 |
| Loss on disposal of plant and equipment | - | 2,486 |
| Gain on disposal of production licenses | (4,201,502) | - |
| Cost of share based payment | 9,163 | 24,435 |
| *Changes in assets and liabilities* | | |
| Decrease/ (increase) in trade and other receivables | 133,616 | 366,854 |
| Increase/ (decrease) in other creditors and accruals | 4,092 | 110,694 |
| Increase/ (decrease) in provisions | 6,161 | 18,073 |
| **Net cash (used in)/ from operating activities** | (694,366) | 180,975 |
| Reconciliation of cash and cash equivalents | | |
| *Cash and cash equivalents at the end of the financial year is shown in the accounts as:* | | |
| Cash | 3,686,537 | 6,261,842 |
| **Cash and cash equivalents at the end of the financial year** | 3,686,537 | 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.

**Non-cash financing and investing activities**

During the year ended 30 June 2016, the Company incurred share based payments of $9,163 (2015 - $24,435).
There are no financing facilities in place for the Company.

| | Consolidated Entity | |
|---|---|---|
| | 2016 $ | 2015 $ |
| **NOTE 16. AUDITOR'S REMUNERATION** | | |
| Remuneration of the auditor of the Company for: | | |
| Auditing or reviewing the financial report | 27,625 | 42,500 |
| Remuneration of other auditors of subsidiaries for: | | |
| Auditing or reviewing the financial report of subsidiaries | 31,855 | 45,515 |
| | 59,480 | 88,015 |

**NOTE 17. KEY MANAGEMENT PERSONNEL**

Compensation of Key Management Personnel

*Compensation by category:*

| | 2016 $ | 2015 $ |
|---|---|---|
| Primary remuneration | 701,228 | 870,995 |
| Equity remuneration | - | 6,109 |
| | 701,228 | 877,104 |

Detailed remuneration disclosures are provided in the remuneration report on pages 18 to 23.

**NOTE 18. SHARE BASED PAYMENTS**

The following share based payments were issued to employees by the Company and by the Consolidated Entity during the year.

| | Consolidated Entity 2016 | | Consolidated Entity 2015 | |
|---|---|---|---|---|
| | Number of Options | Weighted Average Exercise Price | Number of Options | Weighted Average Exercise Price |
| Outstanding at beginning of year | 7,500,000 | $0.070 | 3,000,000 | $0.055 |
| Granted | - | - | 5,500,000 | $0.070 |
| Forfeited | (1,500,000) | $0.070 | - | - |
| Exercised | - | - | - | - |
| Expired | (2,000,000) | $0.070 | (1,000,000) | $0.275 |
| **Outstanding and exercisable at year end** | 4,000,000 | $0.070 | 7,500,000 | $0.070 |

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

No options were granted during the current year.

**NOTE 19. SEGMENT INFORMATION**

**Primary Reporting Business Segments**

During the year ended 30 June 2016 and also during the year ended 30 June 2015, the Consolidated Entity operated entirely in the oil and gas industry.

Secondary Reporting Geographical Segments:

| | Revenue $ | Inter-Segment Revenue $ | Total Revenue $ | Segment Profit/ (Loss) $ | Segment Assets $ | Segment Liabilities $ |
|---|---|---|---|---|---|---|
| Year to 30 June 2016 | | | | | | |
| Australasia | 4,549,950 | (4,545,240) | 4,710 | (833,100) | 214,787 | 95,590 |
| North America | 4,403,721 | - | 4,403,721 | (19,280,330) | 4,138,113 | 1,624,807 |
| **Total** | 8,953,671 | (4,545,240) | 4,408,431 | (20,113,430) | 4,352,900 | 1,720,397 |

| | Revenue $ | Inter-Segment Revenue $ | Total Revenue $ | Segment Profit/ (Loss) $ | Segment Assets $ | Segment Liabilities $ |
|---|---|---|---|---|---|---|
| Year to 30 June 2015 | | | | | | |
| Australasia | 3,735,449 | (3,731,320) | 4,129 | 13,340,709 | 297,686 | 98,126 |
| North America | 1,436,067 | - | 1,436,067 | (8,900,567) | 24,184,777 | 2,736,424 |
| **Total** | 5,171,516 | (3,731,320) | 1,440,196 | 4,440,142 | 24,482,463 | 2,834,550 |

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 20. CONTROLLED ENTITIES**

| | % Owned | | Book value of shares held | | Contribution to consolidated loss | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 $ | 2015 $ | 2016 $ | 2015 $ |
| *Parent Entity* | | | | | | |
| Entek Energy Limited | | | | | | |
| *Entities controlled by Entek Energy Limited* | | | | | | |
| Entek USA Inc | 100% | 100% | - | - | (23,770,796) | (8,900,567) |
| *Entities controlled by Entek USA Inc* | | | | | | |
| Entek USA General LLC | 100% | 100% | - | - | - | - |
| Entek USA Limited LLC | 100% | 100% | - | - | - | - |
| Entek Energy USA LLC | 100% | 100% | - | - | - | - |
| Entek GRB LLC | 100% | 100% | - | - | - | - |
| *Interests in controlled Entities held by Entek USA General LLC* | | | | | | |
| Entek USA LP | 1% | 1% | - | - | - | - |
| *Entities controlled by Entek USA Limited LLC* | | | | | | |
| Entek USA LP | 99% | 99% | - | - | - | - |
| | | | - | - | (23,770,796) | (8,900,567) |

Entek USA Inc, Entek USA Limited LLC, Entek USA General LLC, Entek GRB LLC, and Entek Energy USA LLC are registered in the State of Delaware in the United States of America. Entek USA LP is registered in the State of Texas in the United States of America.

**NOTE 21. COMMITMENTS**

*Superannuation*

The Company makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Company to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

*Environmental*

On 1 May 2010, the Company commenced as operator in the Green River Basin region of the United States of America. This basin encompasses parts of the States of Colorado and Wyoming. The Company complies with its environmental obligations in this area, and there have been no significant known breaches of the Company's license or permit conditions. In addition, no Federal or State Government agency has notified the Company of any environmental breaches since commencement as operator. The Company has however provided the amount of AUD $943,740 (US$700,000), (2015: A$914,387 – US$700,000) in the event any such breach should occur.

*Capital*

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

| | Consolidated Entity | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Capital Expenditure Commitments Payable: | | |
| *Rental and Lease Payments* | | |
| Not later than 1 year | 125,718 | 171,734 |
| Later than 1 year but not later than 2 years | 62,647 | 54,281 |
| Later than 2 years but not later than 5 years | 20,773 | 73,985 |
| | 209,138 | 300,000 |
| *Green River Basin Leases Expenditure Payable*[1] | | |
| Not later than 1 year | 161,947 | 143,784 |
| Later than 1 year but not later than 2 years | 203,669 | 182,118 |
| Later than 2 years but not later than 5 years | 361,031 | 295,783 |
| | 726,647 | 621,685 |
| **Total Commitments** | 935,785 | 921,685 |

(1) *There is no legal obligation to renew the Green River Basin lease-holdings however to maintain the current lease position of the Group, the above lease expenditures are treated as committed.*

## NOTE 22. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2016.

## NOTE 23. CONTINGENT ASSETS

Other than the future income tax benefit (not brought to account) as disclosed in Note 3, no other contingent assets exist as at 30 June 2016.

**NOTE 24. FINANCIAL INSTRUMENTS**

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries, which arise directly from its operations. The Group’s policy is that no trading in financial instruments shall be undertaken. The main purpose of non-derivative financial instruments is to finance group operations. Derivatives are not used by the Group and the Group does not speculate in the trading of derivative instruments.

Treasury Risk Management

The Board considers the Group’s financial risk exposure and treasury management strategies in the context of the Group’s operations. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. The Board reviews each of these risks on an on-going basis.

Interest Rate Risk

The Group has no debt that requires the payment of interest.

| Financial Instruments | Terms and Conditions and Interest Rate Risk |
|---|---|
| Bank Deposits | Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk. |
| Receivables | There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk. |
| Accounts Payable | There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk. |
| Equity | Details of equity securities issued and outstanding are disclosed separately in these financial statements. These are non interest bearing and there is no exposure to interest rate risk. |

Foreign Currency Risk

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group is also exposed to fluctuations in foreign currencies arising from deposits with banks denominated in foreign currencies. The Group has reviewed this position and is of the view that it is not economic to hedge this exposure.

Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate funds are available.

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. There are no material amounts of collateral held as security at 30 June 2016. Credit risk is managed on a Group basis and reviewed by the Board. It arises from exposures to customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only "A" rated banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 30 June 2016 are not rated, however, given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group.

Price Risk

The Group is exposed to commodity price risk through its joint venture interests. The Group does not currently hedge the price it sells oil and gas at. The Group is conscious of the fluctuations in the commodity price and monitors such fluctuations with a view to take appropriate actions as and when foreseeable.

Financial Instrument Composition and Maturity Analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

| | **Consolidated Entity** | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| Trade and sundry payables are expected to be paid as follows: | | |
| Less than 6 months | 757, 695 | 529,300 |
| 6 months to 1 year | - | - |
| Later than 1 year but not later than 5 years | - | - |
| Over 5 years | - | - |
| | 757,695 | 529,300 |

## Fair Values

The aggregate net fair values of the Consolidated Entity's financial assets and financial liabilities both recognised and unrecognised are as follows:

| | Carrying amount in the financial statements 2016 $ | Aggregate net fair value 2016 $ | Carrying amount in the financial statements 2015 $ | Aggregate net fair value 2015 $ |
|---|---|---|---|---|
| *Financial Assets* | | | | |
| Cash assets | 3,686,537 | 3,686,537 | 6,261,842 | 6,261,842 |
| Receivables | 12,305 | 12,305 | 148,729 | 148,729 |
| *Financial Liabilities* | | | | |
| Payables | 757,695 | 757,695 | 529,300 | 529,300 |
| Borrowings | - | - | - | - |

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Cash assets, borrowings and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value.

Listed investments held at balance date have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

## Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

## Interest Rate Sensitivity Analysis

At 30 June 2016, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

| | Consolidated Entity | |
|---|---|---|
| | 2016 $ | 2015 $ |
| Change in profit/ (Loss) due to: | | |
| Increase in interest rate by 2% | 2,680 | 5,130 |
| Decrease in interest rate by 2% | (2,680) | (5,130) |
| Change in equity due to: | | |
| Increase in interest rate by 2% | 2,680 | 5,130 |
| Decrease in interest rate by 2% | (2,680) | (5,130) |

### Foreign Currency Risk Sensitivity Analysis

At 30 June 2016, there is no effect on loss and equity as a result of changes in the foreign currency rate as all foreign exchange differences are accounted for as other comprehensive income in the equity section.

**NOTE 25. RELATED PARTY TRANSACTIONS**

There are no related party transactions other than those discussed in the Director's Remuneration Report with key management personnel.

**NOTE 26. DISCONTINUED OPERATIONS**

On 9 May 2016 Entek Energy Limited entered into a Purchase and Sale Agreement with Peregrine Oil & Gas, LP to sell the Company's respective 38% and 25% interests in the GA A133 and PN975 blocks, and its overriding royalty interest in the VR 341/342 blocks, in the Gulf of Mexico ("Producing Interests"). Financial information relating to the sale is set out below:

| | Consolidated Entity | |
|---|---|---|
| | **2016** | **2015** |
| | **$** | **$** |
| **Financial Performance** | | |
| Revenue | 169,813 | 1,416,262 |
| Total expenses including impairment | (57,289) | (2,376,048) |
| Gross profit | 112,524 | (959,786) |
| Income tax expense | - | - |
| Net profit/(loss) attributable to discontinued operations | 112,524 | (959,786) |
| | | |
| Profit on disposal of Producing Interests | 4,201,502 | - |
| Income tax expense | - | - |
| Profit/(loss) from discontinued operations after tax | 4,314,026 | (959,786) |

Information relating to the financial position of the Producing Interests on disposal date (9 May 2016) is set out below:

| | 2016 | 2015 |
|---|---|---|
| **Carrying amounts of assets and liabilities:** | | |
| Capitalised exploration expenses – written down value | - | - |
| Production plant and equipment – written down value | - | - |
| Total assets | - | - |
| | | |
| Trade Creditors | 7,936 | 63,318 |
| Provision for restoration | 1,438,483 | 1,371,581 |
| Total liabilities | 1,446,419 | 1,434,899 |
| | | |
| Net liabilities | 1,446,419 | 1,434,899 |
| | | |
| **Cash flow information for the period:** | | |
| Net cash outflow from operating activities | 306,237 | 1,514,561 |
| Net cash inflow from investing activities | (123,963) | (577,857) |
| Net cash inflow from financing activities | - | - |
| Net increase in cash generated by the Producing Interests | 182,274 | 936,704 |

**NOTE 26. DISCONTINUED OPERATIONS (CONTINUED)**

| | Consolidated Entity | |
|---|---|---|
| | 2016<br>$ | 2015<br>$ |
| Detail of the disposal of the Producing Interests: | | |
| Consideration received | 2,755,083 | - |
| Carrying amount of net liabilities sold | 1,446,419 | - |
| Profit on disposal of Producing Interests before income tax | 4,201,502 | - |
| Income tax expense | - | - |
| Profit on disposal of Producing Interests after income tax | 4,201,502 | |

**NOTE 27. WORKING INTERESTS**

The Consolidated Entity owns leases based in the states of Colorado and Wyoming (USA) in the Niobrara Oil Resource play ranging in ownership interests from 20% to 100% resulting in 55,393 net acres across 149,458 gross acres.

The Consolidated entity increased its ownership of the Slater Dome Gathering System, a pipeline located within the Niobrara Oil Gas play, to 100% during the current year resulting in the termination of the Slater Dome Partnership, LLLP. Refer Note 10.

**NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year 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.

**NOTE 29. PARENT FIGURES DISCLOSURES**

| | 2016<br>$ | 2015<br>$ |
|---|---|---|
| *Assets* | | |
| Current Assets | 202,990 | 265,702 |
| Non-current assets | 2,525,105 | 24,314,886 |
| Total assets | 2,728,095 | 24,580,588 |
| *Liabilities* | | |
| Current liabilities | 95,591 | 98,126 |
| Total liabilities | 95,591 | 98,126 |
| *Net Assets* | 2,632,504 | 24,482,462 |
| *Equity* | | |
| Issued capital | 59,791,934 | 59,791,934 |
| Retained earnings | (62,734,381) | (40,875,260) |
| *Reserves* | | |
| Option premium reserve | 5,574,951 | 5,565,788 |
| Total equity | 2,632,504 | 24,482,462 |
| *Loss for the year* | (21,859,121) | (37,172,484) |
| *Other comprehensive income* | | |
| *Total comprehensive Income* | (21,859,121) | (37,172,484) |

The recoverability of the parent entity's non-current assets is dependent on the ultimate realisation of the North American exploration assets.

At the reporting date net amounts receivable from controlled entities at cost totalled $2,525,105 after the recognition of an impairment against the amount receivable in the current year of $26,190,008 (2015: $54,452,270). The loans incurred interest at market rates up until the end of the financial year. The loans have no fixed terms for repayment.

Guarantees

There are no guarantees entered into by the parent entity in relation of the debts of the subsidiaries.

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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

**Report on the Financial Report**

We have audited the accompanying financial report of Entek Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

*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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. 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.

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

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

Stantons International

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion:

(a) the financial report of Entek Energy Limited is in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
    (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 18 to 23 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

*Auditor's opinion*
In our opinion the remuneration report of Entek Energy Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International

**Samir Tirodkar**
Director

West Perth, Western Australia
9 September 2016

# AUDIT INDEPENDENCE DECLARATION

Stantons International Audit and Consulting Pty Ltd
trading as
**Stantons International**
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

9 September 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 Audit Director for the audit of the financial statements of Entek Energy Limited for the year ended 30 June 2016, 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 audit; and

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

Yours faithfully

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

**Samir Tirodkar**
Director

# ADDITIONAL INFORMATION
## AS AT 26 AUGUST 2016

The shareholder information set out below was applicable as at 26 August 2016.

### 1. TWENTY LARGEST SHAREHOLDERS

| | Ordinary Shares | Number of Shares | Percentage of Total |
|---|---|---|---|
| 1 | UBS Nominees Pty Ltd | 24,980,398 | 4.89% |
| 2 | HSBC Custody Nominees (Australia) Limited | 23,035,588 | 4.51% |
| 3 | Miningnut Pty Ltd | 23,000,000 | 4.50% |
| 4 | Topspeed Pty Ltd <Skinner No 1 Super A/C> | 18,145,545 | 3.55% |
| 5 | GDR Pty Ltd <The Riley Super Fund A/C> | 14,174,919 | 2.78% |
| 6 | Mr James David Taylor | 13,095,933 | 2.56% |
| 7 | Mr James David + Mrs Marion Amy Taylor <ITS Management S/F A/C> | 8,452,494 | 1.66% |
| 8 | Ian Sandover & Associates Pty Ltd <Sandover Super A/C> | 7,500,000 | 1.47% |
| 9 | Mr Kieran James Mann | 6,834,896 | 1.34% |
| 10 | Struven Nominees Pty Ltd <Alan Strunin Staff S/F A/C> | 6,125,000 | 1.20% |
| 11 | A F Consulting Pty Ltd <AF Investments S/Fund A/C> | 6,000,000 | 1.17% |
| 12 | Mr Peter Maskery & Mr Nigel Maskery & Mr James Edwin Prouse <National 86 A/C> | 5,500,000 | 1.08% |
| 13 | Mr Kenneth John Bull | 5,000,000 | 0.98% |
| 14 | Mr Peter Barrett Capp <Capp Family A/C> | 5,000,000 | 0.98% |
| 15 | One Management Invt Funds Ltd <1 A/C> | 5,000,000 | 0.98% |
| 16 | Mr Anthony Noel Sandover <A & W Sandover Family A/C> | 5,000,000 | 0.98% |
| 17 | A M Riley Pty Ltd <A M Riley Super Fund A/C> | 4,174,919 | 0.80% |
| 18 | Citicorp Nominees Pty Limited | 4,085,214 | 0.97% |
| 19 | Mr Alexander Forcke | 4,000,000 | 0.78% |
| 20 | Ice Cold Investments Pty Ltd | 4,000,000 | 0.78% |
| | Total Top 20 | 193,104,906 | 37.81% |
| | Other | 317,552,481 | 62.19% |
| | Total Ordinary Shares on Issue | 510,657,387 | 100.00% |

### 2. SUBSTANTIAL SHAREHOLDERS

The Company has no substantial shareholders.

## 3. DISTRIBUTION OF EQUITY SECURITIES

| | Ordinary Shares | Unlisted Options |
|---|---|---|
| 1 - 1,000 | 346 | - |
| 1,001 - 5,000 | 430 | - |
| 5,001 - 10,000 | 410 | - |
| 10,001 - 100,000 | 1,195 | - |
| 100,001 - and over | 520 | 4 |
| Total number of holders | 2,901 | 4 |
| Holdings of less than a marketable parcel | 2,183 | |

## 4. UNQUOTED SECURITIES

The total number of unquoted securities on issue and the number of holders for each class of unquoted securities are set out below. All unquoted securities are issued under an employee share option plan.

| | Number of Options | Number of Holders |
|---|---|---|
| Unlisted options issued under employee share option plan | 4,000,000 | 4 |
| | 4,000,000 | 4 |

## 5. VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

## 6. ON-MARKET BUY BACK

There is currently no on-market buy-back program for any of the Company's securities.

# ADDITIONAL INFORMATION
AS AT 26 AUGUST 2016

## REGISTERED OFFICE OF THE COMPANY

338 Hay Street
Subiaco
Western Australia 6008

Tel: +61 (8) 9213 4388
Fax: +61 (8) 9213 4399

## STOCK EXCHANGE LISTING

Quotation has been granted for all ordinary shares on the Australian Securities Exchange. The State Office of the Australian Securities Exchange in Perth, Western Australia has been designated the Home Branch of Entek Energy Limited.

There are no current on-market buy-back arrangements for the Company.

## SHARE REGISTRY

The registers of shares and options of the Company are maintained by:-

Computershare Registry Services Pty Ltd
Level 11
172 St Georges Terrace
Perth, Western Australia 6000

Tel: 1300 850 505 (Within Australia)
+61 3 9415 4000 (Outside Australia)
Fax: +61 3 9473 2500 (Within Australia)

## COMPANY SECRETARY

The name of the company secretary is Ms Nerida Lee Schmidt.

## TAXATION STATUS

Entek Energy Limited is taxed as a public company.

# ADDITIONAL INFORMATION
AS AT 26 AUGUST 2016

## INTERESTS IN OIL & GAS TENEMENTS

| LEASE | | INTEREST |
|---|---|---|
| UNITED STATES – ON SHORE – GREEN RIVER BASIN | | |
| Colorado | - Battle Mountain AMI – Counties: Routt, Moffat | 20% |
| | - Focus Ranch – County: Routt | 99% |
| | - Entek area of interest (AOI) leases | 100% |
| Wyoming | - Battle Mountain AMI – County: Carbon | 20% |
| | - Entek area of interest (AOI) leases | 100% |

ENTEK
ENERGY LIMITED

entekenergy.com.au

8771 jaz.com.au