



ENTEK
ENERGY LIMITED

Annual Report 2017

CORPORATE DIRECTORY

DIRECTORS: Howard Graham Dawson (Non-Executive Chairman)
Graham Douglas Riley (Non-Executive Director)
Kimberly Saar Parsons (Non-Executive Director)
Mark Adrian McAuliffe (Non-Executive Director)
Peter Andrew Stern (Non-Executive Director)
Clare Campbell Pope (Non-Executive Director)
Anthony Michael Walsh (Non-Executive Director)

COMPANY SECRETARY: Nerida Lee Schmidt

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CORPORATE DIRECTORY

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.

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CHAIRMAN'S REPORT

Dear Shareholders,

In the Annual Report for 2016 our previous Chairman, Graham Riley commented that 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"

These comments by Graham were a frank assessment of the legacy issues that can face all resource companies but in particular those such as Entek which, despite holding projects with fine technical merit, are vulnerable to the evaporation of market support when commodity prices weaken.

Faced with this situation there was only one course of action for the Board and that was to knuckle down to the task of rationalising the US assets to mitigate the aforementioned legacy issues.

In providing my report for FY 2017 I am pleased to report to shareholders that through fine work by our staff and fellow Board members the potential liabilities associated with the US assets have largely been nullified and Entek, as a Company, can now look with confidence to the future.

In this regard during FY 2017 the Company finalised the sale of three dormant US subsidiaries and sold its Slater Dome Gathering System which connects Entek's dormant coal seam gas wells in the Slater Dome Field to another pipeline. This field had been shut in since 2013 with no current prospects for future production.

During the FY 2017 Entek also continued to actively seek buyers for its remaining US assets which are the Battle Mountain AMI and the Focus Ranch Unit. These are both unconventional oil and gas plays within the Niobrara Shale, located in Wyoming and Colorado respectively.

Importantly, whilst this sale process continued the Company initiated steps to negate any additional liabilities in respect of these assets over and above that which have been previously provided for by our environmental bonds. This process was successful and I am pleased to report that the provision for rehabilitation of \$943,740 as well as the corresponding security bond of \$321,675, as reported in the FY 2016 accounts have been reduced to nil.

In looking to the future your company has also been very active in the search for new projects. A large number of projects across a range of commodities including energy (conventional oil & gas), copper, gold, nickel, cobalt and industrial minerals have been reviewed and in a number of cases these reviews have continued through to detailed due diligence.

The focus of this search has been for brownfields or better, that is projects which have established resources which would allow Entek to potentially fast track project development. The Board considers that this maturity of project provides the best opportunity, from a risk/reward perspective, to maximise near term shareholder returns.

The Company is confident that this pro-active strategy will ultimately provide Entek with new opportunities that will benefit all shareholders.

During the financial year Entek undertook a corporate restructure which comprised a share sale facility of unmarketable parcels, a 4 for 1 consolidation of capital, a rights issue and placement of the subsequent shortfall and two share placements. These corporate actions resulted in around \$3 million being injected into the company, both for acquisition of new projects and working capital.

As a consequence of the rights issue and placements, at financial year end Entek had net working capital of over \$4.7 million which provides the Company with a very sound footing to source new projects.

Subsequent to year end and consistent with the policy of Board renewal Mark McAuliffe, Peter Stern, Clare Pope and Tony Walsh were appointed as Non-Executive Directors of Entek on 26 July 2017.

CHAIRMAN'S REPORT

These new Directors bring a wide range of corporate and legal expertise to the Board which will undoubtedly benefit Entek into the future.

After a period of transition, it is the intention for Graham Riley, Kim Parsons and myself to retire from the Board.

This transition period is expected to be completed by late August and will largely entail familiarising the new Board members with the operations of the Company and finalising as much as possible the rationalisation of the US assets.

I would like to take this opportunity to thank those shareholders who showed patience during the past year and allowed the Board to focus on negating the expensive liabilities against the US assets. I would hope that all shareholders would be pleased with the financial outcome of these efforts by the Board.

In closing I would also like to thank Nerida Schmidt and Karen Ridley, our Company Secretary and Office Manager respectively for their fine efforts during FY 2017. Kim Parsons and her very capable team in the United States are also worthy of much praise. Lastly, a thank you to Graham Riley who guided Entek for many years as Chairman and subsequent to his retirement as Chairman has continued to play a very important part in the operations of this Company.

Howard Dawson
CHAIRMAN

OPERATIONS REPORT

As outlined in the Chairman's Report the primary focus of the past year has been the rationalisation of the Company's US assets and attaching liabilities.

As at financial year close the remaining US assets were:

<i>Leases</i>	<i>State/County</i>	<i>Operator</i>	<i>Gross Acres</i>	<i>WI %</i>	<i>Net Acres to Entek</i>
Battle Mountain AMI	WY/Carbon & CO/Moffat	GRMR	96,458	Up to 20%	16,398
Focus Ranch Area incl. FRU	CO/Routt	Entek	41,282	99%+	35,009
Other Areas	WY/Carbon & CO/Routt	Entek	1,968	100%	392
Total			139,708		51,799

During FY 2017 the Company was successful with the sale of three dormant US subsidiaries to Peregrine Oil & Gas II, LLC and the sale of its Slater Dome Gathering System to a private consortium for \$US100,000.

The Slater Dome Gathering System connected Entek's dormant coal seam gas wells in the Slater Dome Field to a commercial pipeline. This field has been shut in since 2013 with no current prospects for future production. The retention of this gathering system in the hope of improved future industry conditions would expose the Company to ongoing expenses which were considered commercially unacceptable in the current market environment.

Throughout FY 2017 and concurrent with the strategic objective to rationalise the US assets, Entek continued to meet its corporate obligations.

In the Focus Ranch Unit for example Entek undertook the plugging and abandonment of two idle wells which were of no future economic benefit to the development of Focus Ranch. Entek was able to complete this work by taking advantage of current low rig equipment costs.

Within the Slater Dome Gathering System Entek undertook pressure tests to confirm the structural integrity of the pipeline in compliance with relevant State requirements. Entek also completed the abandonment of all flow lines in the Slater Dome Field complex.

The Company's remaining US assets are the Battle Mountain AMI and the Focus Ranch unit which are located in the Green River Basin. These are both largely unconventional oil and gas plays contained within the Niobrara Shale and located in Wyoming and Colorado respectively.

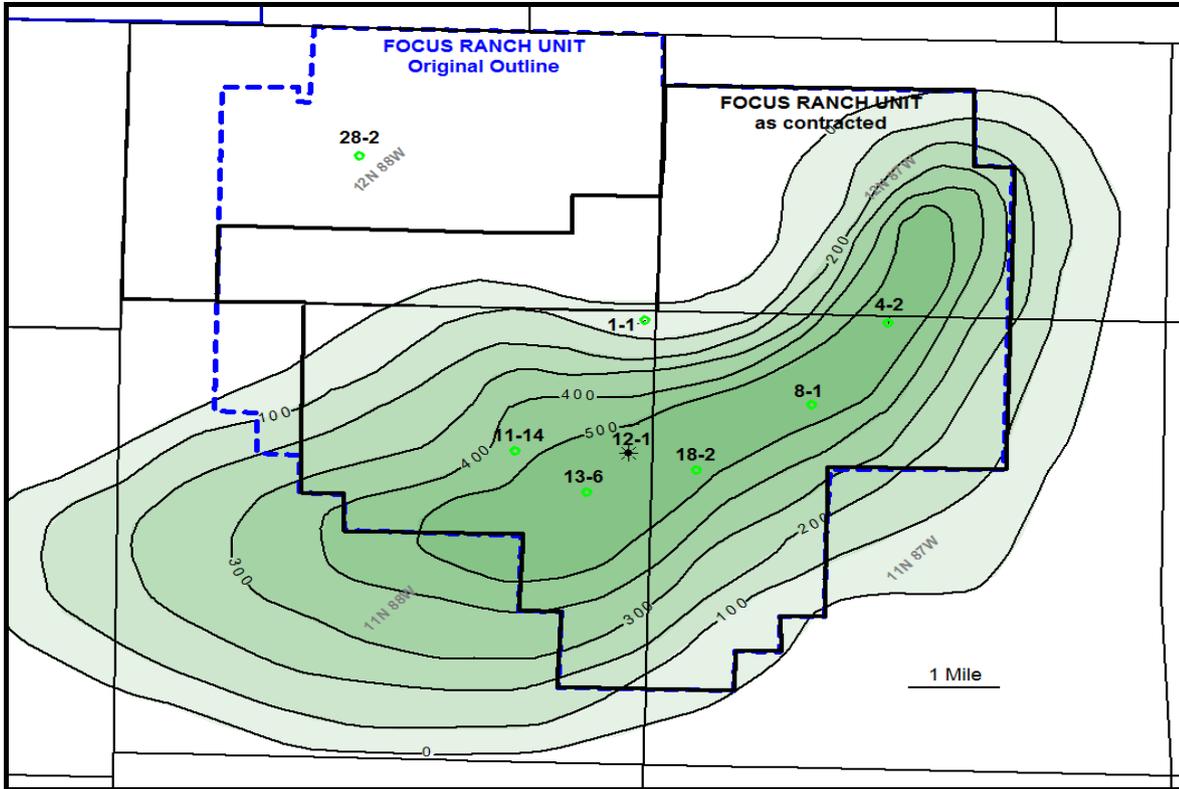
Battle Mountain AMI

The operator of the Battle Mountain AMI is GRMR Oil & Gas LLC ("GRMR") and Entek remain in discussion with this company with a strategy to jointly market the respective interests. The combined lease holdings of both GRMR and Entek make an attractive package of in excess of 96,000 gross acres which are largely contiguous and with a significant proportion subject to modern 3D seismic acquired in 2013.

OPERATIONS REPORT

Focus Ranch Unit

Entek's Focus Ranch Unit is considered a strategic and geologically prospective asset. Such an asset could be expected to be attractive to a purchaser seeking to acquire a large footprint of leases with ready to drill Niobrara as well as other conventional oil and gas prospects. During FY 2017 Entek finalised negotiations with the Bureau of Land Management (BLM) to modify the Unit boundary to reflect the areas of significant economic potential, contracting the Unit boundary as shown below.



Focus Ranch Unit showing original unit boundary, contracted unit boundary, 12-1 well and new locations in relationship to gross sill isobath (feet)

New Exploration Initiatives

Entek is continuing to review new exploration possibilities in the US and elsewhere which have the potential to create future value for shareholders. This process is being run in parallel with our efforts to rationalise the Niobrara assets.

In addition, the Company is undertaking an active search for new projects across a range of commodities.

Howard Dawson
CHAIRMAN

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 2017. 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 (stepped down as Non-Executive Chairman on 16 March 2017)
Howard Graham Dawson (appointed Non-Executive Director 5 December 2016 and Non-Executive Chairman on 16 March 2017)
Kimberly Saar Parsons (appointed 22 July 2016, stepped down as CEO on 16 March 2017)
Mark Adrian McAuliffe (appointed Non-Executive Director 26 July 2017)
Peter Andrew Stern (appointed Non-Executive Director 26 July 2017)
Clare Campbell Pope (appointed Non-Executive Director 26 July 2017)
Anthony Michael Walsh (appointed Non-Executive Director 26 July 2017)
Alexander Forcke (resigned Non-Executive Director 1 March 2017)
Andrew John Padman (resigned Non-Executive Director 22 July 2016)

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year were investment in the oil and gas industry through existing projects.

During the financial year the Company continued its strategy to sell its existing projects as a result of a significant reduction in energy prices and a diminution in market sentiment towards this sector.

OPERATING RESULTS

The operating loss after discontinued operations for the Consolidated Entity, after income tax amounted to \$1,190,738 (2016: loss of \$20,113,430). Items material to the 2017 results include:

- The Company incurred \$1,527,192 of exploration expenditure in 2017 (refer to note 9). This compares to a total of \$5,144,704 which was capitalised and written off in 2016. The Company adopts the "successful methods" basis of accounting with regards to its onshore assets based in the Green River Basin.
- The Company continues to reduce cost across all sectors of operations as follows:
 - Director, consultant and employee fees totalled \$302,343 (30 June 2016: \$465,202), a reduction of 35%.
 - Other operating expenses of \$293,749 (30 June 2016: \$579,962), a reduction of 49%.
- Recognition of additional rehabilitation expense of \$275,467 for the GRB assets, and subsequently writing off the full rehabilitation liability of \$1.2 million against security deposits of \$315,988, resulting in a net gain of \$611,064.

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 2017.

DIRECTORS' REPORT

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 that have not been disclosed in the Chairman's or Operations Report or otherwise in this document.

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 energy industry and in particular the low oil and gas prices the Directors continue to actively seek the sale of its oil and gas leases in the United States. The Directors are of the opinion that further information as to the likely developments in the operations of the Company could prejudice the interests of the Company and as a consequence has not been included in this report.

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.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

HOWARD GRAHAM DAWSON

NON-EXECUTIVE CHAIRMAN

Qualifications:

Bachelor of Science (Geology) from Curtin University

Experience:

Mr Dawson has over 30 years of significant experience in both technical and corporate roles. He began his career as a Geologist and gained significant experience within Australia and the Americas across bulk commodities and base and precious metals in both exploration and development. The majority of this experience was gained with BHP Minerals Limited. In 1987 he entered the securities industry as a research analyst and over the subsequent 18 years held senior management and board positions with a range of leading firms including Hartley Poyntons, McIntosh Securities and Merrill Lynch. During this period he also gained invaluable experience across all facets of the securities market and was a Senior Fellow of FINSIA. Mr Dawson has retained a strong role within the securities sector helping to establish a number of successful companies across the resource and technology sector and serving in various non-executive chairman and directorship roles for companies including Migme Limited, Tangiers Petroleum, Nevada Iron, Comet Gold and Uranium King Limited. He is currently the Executive Chairman of Discovery Capital Limited, a public unlisted investment company and a non-executive Director of Magnum Mining and Exploration Ltd.

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

Director and subsequent Chairman of Migme Limited (formerly Latin Gold Limited) from 2004 to 31 May 2016.

Director and subsequent Chairman of SportsHero Limited (formerly Nevada Iron Limited) from 23 January 2017 to 10 April 2017.

Director of Magnum Mining and Exploration Limited from 20 February 2017 to the current date.

Special Responsibilities:

Member 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:

2,500,000 Ordinary Shares.

Directors' meetings attended: 8 (eligible to attend 8).

DIRECTORS' REPORT

GRAHAM DOUGLAS RILEY

DIRECTOR (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 Director of Gascoyne Resources Limited from 5 October 2012 to the current date.

Special Responsibilities:

Chair of the Remuneration Committee and Chair 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: 10 (eligible to attend 10).

KIMBERLY SAAR PARSONS

DIRECTOR (NON-EXECUTIVE)

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 and then became a Non-Executive Director on 17 March 2017 when she stood down as the CEO. 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:

None

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

125,000 unlisted options exercisable at \$0.24 before 31 December 2017 and 125,000 unlisted options exercisable at \$0.32 before 31 December 2017.

Directors' meetings attended: 9 (eligible to attend 10).

DIRECTORS' REPORT

MARK ADRIAN MCAULIFFE

DIRECTOR (NON-EXECUTIVE) appointed 26 July 2017

Qualifications:

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

Bachelor of Science (Viticulture & Oenology) from Curtin University

Experience:

Mr McAuliffe commenced his career with Downing & Downing becoming managing partner in 1987. In 1989 Mr McAuliffe established his own legal advisory firm – McAuliffe & Associates and in 2011 that became McAuliffe Legal. In addition to law Mr McAuliffe also has extensive and varied resources experience having being Executive Chairman of Hazelwood Resources for six years and enjoying non-executive director roles with companies including Swick Drilling and Vital Metals.

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

None.

Special Responsibilities:

None.

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

Nil.

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

PETER ANDREW STERN

DIRECTOR (NON-EXECUTIVE) appointed 26 July 2017

Qualifications:

Bachelor of Science 1st Class (Geology) from Monash University

Fellow of the Australian Institute of Company Directors

Experience:

Mr Stern commenced his career as a Petroleum Geologist with Delhi Petroleum before moving into corporate and advisory, initially with Delhi and then with Macquarie Bank, UBS and Deutsche Bank. In 2000 he established his own corporate advisory firm – Metropolis Corporate Advisory Services. Through a career spanning 30 years Mr Stern has gained wide experience across the resource sector through his initial career as a geologist and subsequent work across corporate acquisitions and advisory roles.

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

Non-Executive Director of Anglo Australian Resources NL from 28 November 2011 to current date.

Non-Executive Chairman of Troy Resources Limited from 16 June 2017 to current date.

Non-Executive Director of Altan Rio Minerals Limited (TSXV) from May 2017 to current date.

Special Responsibilities:

None.

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

Nil.

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

DIRECTORS' REPORT

CLARE CAMPBELL POPE

DIRECTOR (NON-EXECUTIVE) appointed 26 July 2017

Qualifications:

Bachelor of Laws and Bachelor of Arts from the University of Western Australia

Master of Commercial Law from the University of Melbourne

Experience:

Ms Pope has gained wide international legal advisory experience over the past 10 years with a focus across the oil & gas sector. This has included advisory briefs for a range of the world's leading energy companies across a range of geographic jurisdictions. Ms Pope has also gained extensive experience across merger & acquisitions through advisory roles for companies across a range of commodities and bourses.

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

None

Special Responsibilities:

None.

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

Nil.

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

ANTHONY MICHAEL WALSH

DIRECTOR (NON-EXECUTIVE) appointed 26 July 2017

Qualifications: BCom, MBA, FCA, FCIS, FFin

Experience:

Tony Walsh has over 30 years' experience in dealing with listed companies, ASX, ASIC and corporate transactions including 14 years with the ASX in Perth where he acted as ASX liaison with the JORC committee, four years as Chairman of an ASX listed mining explorer and as a director of a London AIM listed explorer.

Mr Walsh was until recently a member of the West Australian State Council of Governance Institute of Australia (formerly Chartered Secretaries Australia) and is a member of Newman College school council. Mr Walsh is currently chairman of Acts2 Bible College and a director of the Womens and Infants Research Foundation.

Mr Walsh is a member of the Australian Institute of Company Directors, is a Fellow of both the Governance Institute of Australia, the Institute of Chartered Secretaries, FinSia and the Institute of Chartered Accountants in Australia.

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

Director of Altas Iron Limited from 5 August 2016 to 23 January 2017.

Special Responsibilities:

None.

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

Nil.

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

DIRECTORS' REPORT

ALEXANDER FORCKE

DIRECTOR (NON-EXECUTIVE) resigned 1 March 2017

Qualifications:

Bachelor of Commerce degree from the University of Western Australia.

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:

Mr Forcke was a Member of the Remuneration Committee and Chairman of the Audit and Risk Committee throughout the period until his resignation on 1 March 2017.

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

2,500,000 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.

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 period 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 (pre-consolidation).

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

DIRECTORS' REPORT

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 2017, ten (10) meetings of directors were held.

DIRECTORS' REPORT

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

Howard Dawson	Non-Executive Chairman (from 16 March 2017), previously Non-Executive Director (appointed 5 December 2017)
Graham Riley	Non-Executive Director (from 16 March 2017), previously Non-Executive Chairman
Kimberly Parsons	Non-Executive Director (from 16 March 2017), previously Executive-Director and Chief Executive Officer
Alexander Forcke	Non-Executive Director (resigned 1 March 2017)
Andrew Padman	Non-Executive Director (resigned 22 July 2016)

OTHER KEY MANAGEMENT PERSONNEL

Nil

(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 framework
- 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 has provided Mr Howard Dawson, Chairman of the Company, with a Letter of Offer for the provision of his services as director. From 5 December 2016 to 16 March 2017, Mr Dawson was a Non-Executive Director and was paid \$35,000 per annum, as well as costs relating to performance of duties as a director. As Non-Executive Chairman from 18 March 2017, Mr Dawson is to be paid \$56,000 per annum, as well as costs relating to performance of duties as a director. There is no termination benefit specified in this agreement.

DIRECTORS' REPORT

The Company has provided Mr Graham Riley, Non-Executive Director of the Company with a Letter of Offer for the provision of his services as Non-Executive Chairman on 1 February 2011. From 1 February 2011 to 16 March 2017, Mr Riley was Chairman and was paid \$7,267 per month, as well as costs relating to performance of duties as a director. On 23 April 2015 the Company and Mr Riley signed an Amendment Letter whereby his monthly fee as Chairman was reduced to \$4,667 per month from 1 April 2015. On 16 March 2017, Mr Riley resigned as Chairman and was appointed as Non-Executive Director where he is to be paid \$35,000 per annum, 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.

The Company 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. Mr Forcke also provided commercial and corporate consultancy services to the Company from time to time and was remunerated for those services on industry standard terms in addition to his director's fees up until his resignation on 1 March 2017.

The Company 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. Mr Padman resigned as a director on 22 July 2016.

From 16 March 2017 when Ms Kimberly Parsons stepped down as CEO and was appointed non-executive director of the Company she is to be paid \$35,000 per annum, as well as costs relating to performance of duties as a director. Previously, the Company provided Ms Parsons agreement for the provision of her services as the CEO of the Company on 21 July 2016. She was paid a daily rate of \$1,200.

(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 limits set by the *Corporations Act 2001* such that they do not require shareholders approval.

The Company had an employment agreement with Ms Kimberly Parsons, Chief Executive Officer of the Company effective 6 January 2016 for the provision of her services. This agreement was modified from 1 April 2016 whereby the employment hours and base pay were reduced to 60% of normal hours per week. On 22 July 2016, Ms Parsons was appointed an executive director on the Company with an agreed daily rate of \$1,200. Either party could terminate the contract by giving 90 days written notice. On 16 March 2017, Ms Parsons resigned as the CEO of the Company, and stepped into the role of Non-Executive Director.

DIRECTORS' REPORT

(vi) Details of Remuneration

	Total Remuneration 2017					
	Salary and Fees	Termination	Super-annuation	Total	Share based payments Options	Total
	\$	\$	\$	\$	\$	\$
Remuneration of Directors based on fees approved by the Board of directors						
Howard Dawson ⁽¹⁾	25,801	-	-	25,801	-	25,801
Graham Riley ⁽²⁾	49,519	-	-	49,519	-	49,519
Kimberly Parsons ⁽³⁾	152,911	-	-	152,911	-	152,911
Alexander Forcke ⁽⁴⁾	58,883	-	-	58,883	-	58,883
Andrew Padman ⁽⁵⁾	2,070	-	-	2,070	-	2,070
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	289,184	-	-	289,184	-	289,184

⁽¹⁾ Mr Dawson was appointed a Non-Executive Director of the Company on 5 December 2016 and Non-Executive Chairman of the Company on 17 March 2017.

⁽²⁾ Mr Riley stepped down from Non-Executive Chairman of the Company on 17 March 2017.

⁽³⁾ Ms Parsons was appointed an Executive Director of the Company on 22 July 2016 and resigned as CEO on 16 March 2017. She remains a Non-Executive Director of the Company.

⁽⁴⁾ Mr Forcke resigned as a Director of the Company on 1 March 2017. During the year, AF Consulting Pty Ltd, a Company associated with the Director, provided consulting services of \$35,550 (2016: \$16,500).

⁽⁵⁾ Mr Padman resigned as a Director of the Company on 22 July 2016.

DIRECTORS' REPORT

(vi) Details of Remuneration (continued)

	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.

(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.

DIRECTORS' REPORT

(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			30 June 2017
	1 July 2016	Granted as Remuneration	Net Change Other	
Howard Dawson	-	-	-	-
Graham Riley	-	-	-	-
Alexander Forcke ⁽¹⁾	-	-	-	-
Andrew Padman ⁽²⁾	-	-	-	-
Kimberly Parsons	1,000,000	-	(750,000) ⁽³⁾	250,000
	<u>1,000,000</u>	<u>-</u>	<u>(750,000)</u>	<u>250,000</u>

⁽¹⁾ Mr Forcke resigned as a Director on 1 March 2017

⁽²⁾ Mr Padman resigned as a Director on 22 July 2016

⁽³⁾ Net change as a result of 1 for 4 capital consolidation.

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

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

At 30 June 2017, all options held by directors and key management were fully vested.

DIRECTORS' REPORT

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

Shares held by Key Management Personnel	Number of Shares				
	1 July 2016	Granted as Remuneration	Net Change Other	Balance at Appointment/Resignation	30 June 2017
Howard Dawson ⁽¹⁾	-	-	2,500,000	-	2,500,000
Graham Riley	14,174,919	-	(4,174,919)	-	10,000,000
Alexander Forcke ⁽²⁾	10,000,000	-	(7,500,000)	(2,500,000)	-
Andrew Padman ⁽³⁾	1,560,000	-	-	(1,560,000)	-
Kimberly Parsons	-	-	-	-	-
	25,734,919	-	(9,174,919)	(4,060,000)	12,500,000

(1) Mr Dawson was appointed a Director on 5 December 2016

(2) Mr Forcke resigned as a Director on 1 March 2017

(3) Mr Padman resigned as a Director on 22 July 2016

Shares held by Key Management Personnel	Number of Shares				
	1 July 2015	Granted as Remuneration	Net Change Other	Balance at Resignation	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.

(End of audited remuneration report)

DIRECTORS' 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 \$	Expiry Date
30 January 2015	500,000	0.24	31/12/2017
30 January 2015	500,000	0.32	31/12/2017
16 November 2016	3,190,000	0.04	31/12/2017
8 February 2017	10,000,000	0.04	31/03/2020
	14,190,000		

During the year ended 30 June 2017 and up to the date of this report, no options were exercised or expired.

INDEMNIFYING AND INSURING DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of \$30,472 (2016: \$28,506). 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 2017. This declaration has been included in this document.

DIRECTORS' REPORT

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 29 August 2017 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

Howard Dawson
Chairman

29 August 2017
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 2017 and of the performance for the year ended on that date of the Company and the Consolidated Entity;
- 2) the Non-Executive Chairman and Non-Executive Director Graham Riley have each declared that:
 - a) the financial records of the Company for the year ended 30 June 2017 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

Howard Dawson
Chairman

29 August 2017
Perth, Western Australia

STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017

	Note	Consolidated Entity	
		2017 \$	2016 \$
Revenue	2	28,759	4,806
Unrealised foreign currency gains		36,951	-
Expenses	2	(602,522)	(1,093,096)
(Loss) from continuing operations before income tax		(536,812)	(1,088,290)
Income tax	3	-	-
(Loss) from continuing operations after income tax	5	(536,812)	(1,088,290)
(Loss) from discontinued operations	26	(653,926)	(19,025,140)
(Loss) from after income tax	4	(1,190,738)	(20,113,430)
Other comprehensive income			
Items which are subsequently transferred to Profit and Loss:			
Foreign currency translation differences		(84,098)	1,088,857
Income tax on other comprehensive income	3	-	-
Total comprehensive (loss) / income for the year, net of income tax		(84,098)	1,088,857
Total comprehensive (loss) for the year		(1,274,836)	(19,024,573)
Basic and diluted loss from continuing operations per share (cents per share)	5	(0.13)	(0.21)
Basic and diluted earnings/(loss) from discontinued operations per share (cents per share)	5	(0.15)	(3.73)
Basic and diluted loss per share (cents per share)	5	(0.28)	(3.94)

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Consolidated Entity	
		2017	2016
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	15	4,928,948	3,686,537
Trade and other receivables	6(a)	285,424	257,194
Inventory	7	-	20,223
Total Current Assets		5,214,372	3,963,954
NON-CURRENT ASSETS			
Trade and other receivables	6(b)	-	377,148
Plant and equipment	8	5,368	11,798
Capitalised exploration expenditure	9	-	-
Production plant and equipment	10	-	-
Total Non-Current Assets		5,368	388,946
Total Assets		5,219,740	4,352,900
CURRENT LIABILITIES			
Trade and other payables	11	474,101	757,695
Provisions	12(a)	17,757	18,962
Total Current Liabilities		491,858	776,657
NON-CURRENT LIABILITIES			
Provisions	12(b)	-	943,740
Total Non-Current Liabilities		-	943,740
Total Liabilities		491,858	1,720,397
Net Assets		4,727,882	2,632,503
EQUITY			
Issued capital	13	63,039,578	59,791,934
Reserves	14	10,357,372	10,318,899
Accumulated losses	4	(68,669,068)	(67,478,330)
Total Equity		4,727,882	2,632,503

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 2017

		Consolidated Entity	
		2017	2016
Note		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
	Receipts from customers	-	335,835
	Payments to suppliers & employees	(600,247)	(1,034,911)
	Interest received	15,802	4,710
	Net Cash (used in) Operating Activities	15 (584,445)	(694,366)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Capitalised exploration expenditure	(1,635,357)	(4,803,344)
	Capitalised production expenditure	-	(122,640)
	Purchase of plant and equipment	-	(2,165)
	Proceeds from sale of assets/subsidiaries	52,191	21,283
	Placement of security bond	-	(130,904)
	Refund of security bond	-	188,748
	Proceeds from sale of production licenses	-	2,755,083
	Net Cash (used in) Investing Activities	(1,583,166)	(2,093,939)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from equity issues (net of issue expenses)	3,370,218	-
	Net Cash from Financing Activities	3,370,218	-
	Net Increase / (Decrease) in Cash Held	1,202,607	(2,788,305)
	Net foreign exchange differences	39,804	213,000
	Cash and cash equivalents at beginning of year	3,686,537	6,261,842
	Cash and cash equivalents at end of Year	15 4,928,948	3,686,537

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 2017

ATTRIBUTABLE TO MEMBERS OF THE GROUP	CONSOLIDATED ENTITY				
	Issued Capital	Option Premium Reserve	Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
At 1 July 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
Loss for year	-	-	-	(1,190,738)	(1,190,738)
Foreign currency translation differences	-	-	(84,098)	-	(84,098)
Total other comprehensive income	-	-	(84,098)	-	(84,098)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	-	-	(84,098)	(1,190,738)	(1,274,836)
Securities issued	3,541,289	-	-	-	3,541,289
Equity raising costs	(171,074)	-	-	-	(171,074)
Share based payments	(122,571)	122,571	-	-	-
At 30 June 2017	63,039,578	5,697,522	4,659,850	(68,669,068)	4,727,882

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 29 August 2017.

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.

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 profit or loss and other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

p) 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.

q) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

r) **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.

s) **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.

t) **Comparatives**

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

u) **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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

v) 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(p). 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.

Provision for rehabilitation

The Company is in compliance with its environmental obligation and is unaware of any significant known breaches. The Company has written off its rehabilitation provision during the year in view that the existing environmental bond and/or the sale of its US operations will discharge the Company of its responsibility as an operator.

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.

w) New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

- 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 provisions on hedge accounting outlined 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.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate that the adoption of AASB 9 will not have a material impact on the Group's financial instruments.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from 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 not have a material impact on the Group's revenue recognition and disclosures.

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

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as either operating leases or finance leases. Lessor accounting remains similar to current practice.

The main changes introduced by the new Standard are as follows:

- recognition of the right-to-use asset and liability for all leases (excluding short term leases with less than 12 months of tenure and leases relating to low value assets);
- depreciating the right-to-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lease to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity at the date of initial application.

The directors anticipate that the adoption of AASB 16 will not have a material impact on the Group's recognition of leases and disclosures.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

- AASB 2014-10: *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (applicable to annual reporting periods commencing on or after 1 January 2018).

This Standard amends AASB 10: *Consolidated Financial Statements* with regards to a parent losing control over a subsidiary that is not a “business” as defined in AASB 3: *Business Combinations* to an associate or joint venture and requires that:

- a gain or loss (including any amounts in other comprehensive income (OCI)) be recognised only to the extent of the unrelated investor’s interest in that associate or joint venture;
- the remaining gain or loss be eliminated against the carrying amount of the investment in that associate or joint venture; and
- any gain or loss from remeasuring the remaining investment in the former subsidiary at fair value also be recognised only to the extent of the unrelated investor’s interest in the associate or joint venture. The remaining gain or loss should be eliminated against the carrying amount of the remaining investment.

Although the directors anticipate that the adoption of AASB 2014-10 may have an impact on the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity	
2017	2016
\$	\$

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

Interest received from other persons	20,142	4,806
Disposal of subsidiaries	7,946	-
Others	671	-
	28,759	4,806

CHARGING AS EXPENSES

Depreciation	(6,430)	(38,769)
Consultancy fees	(58,888)	(71,469)
Remuneration of officers and employees	(243,455)	(393,733)
Cost of share based payments	-	(9,163)
Other operating expenses	(293,749)	(579,962)
	(602,522)	(1,093,096)

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%	(357,221)	(6,034,028)
Cost of share based payments	-	2,749
Other	147	459
	(357,074)	(6,030,820)
Movement in unrecognised temporary differences	(437,574)	4,314,315
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	794,648	1,716,505
	-	-

Income Tax Expense from Ordinary Activities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$
Unrecognised deferred tax balances		
<i>Deferred Tax Assets</i>		
Tax losses	21,535,848	21,009,515
Tax losses on capital account	383,162	383,162
Accrued expenses	15,526	8,250
Provisions for expenses	4,877	5,689
Capital raising costs	43,468	-
Capitalised drilling acquisition costs	2,278,262	2,188,861
Total deferred tax assets	<u>24,261,143</u>	<u>23,595,477</u>
<i>Deferred Tax Liabilities</i>		
Prepayments	439	-
Total deferred tax liabilities	<u>439</u>	<u>-</u>
Net deferred tax asset not brought to account	<u>24,261,582</u>	<u>23,595,477</u>

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	(67,478,330)	(47,364,900)
Net (loss) for the financial year	(1,190,738)	(20,113,430)
Accumulated losses at the end of the financial year	<u>(68,669,068)</u>	<u>(67,478,330)</u>

NOTE 5. (LOSS) PER SHARE

Basic and diluted (loss) from continuing operations (cents per share) ⁽¹⁾	(0.13)	(0.21)
Basic and diluted (loss) from discontinued operations (cents per share) ⁽¹⁾	(0.15)	(3.73)
Basic and diluted (loss) (cents per share) ⁽¹⁾	(0.28)	(3.94)
Loss from continued operations used in the calculation of basic EPS	(536,812)	(1,088,290)
Loss from discontinued operations used in the calculation of diluted EPS ⁽¹⁾	(653,926)	(19,025,140)
Loss used in the calculation of basic and diluted EPS ⁽¹⁾	(1,190,738)	(20,113,430)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	427,562,334	510,657,387
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	427,562,334	510,657,387

During the year ended 30 June 2017, 12.76m free options were issued in November 2016 (pre-consolidation) and 10m facilitator's options was issued in April 2017. No options were exercised or lapsed during the year (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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$

NOTE 6. TRADE & OTHER RECEIVABLES

(a) TRADE & OTHER RECEIVABLES (CURRENT)

Trade debtors	2,200	12,305
Other debtors and prepayments	223,411	244,889
Lease deposit	59,813	-
	285,424	257,194

The Company sold the Slater Dome system during the year for AUD\$132,436 (USD100,000) and received a 10% deposit. The balance AUD\$117,104 (USD90,000) has been recognised as a current receivable.

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.

(b) TRADE & OTHER RECEIVABLES (NON CURRENT)

Other debtors	-	377,148
	-	377,148

NOTE 7. INVENTORY

Consumables	-	20,223
	-	20,223

NOTE 8. PLANT AND EQUIPMENT

At cost	231,727	235,500
Accumulated depreciation	(226,359)	(223,702)
	5,368	11,798
At the beginning of the financial year	11,798	67,734
Additions	-	2,165
Depreciation expense	(6,430)	(38,769)
Written down value of assets sold or written off	-	(21,283)
Foreign exchange adjustment	-	1,951
Total Plant and Equipment	5,368	11,798

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$
NOTE 9. CAPITALISED EXPLORATION EXPENDITURE		
Cost at the beginning of the financial year	-	22,631,447
Additions	1,527,192	5,144,704
Asset write downs/farm downs	-	(2,883,115)
Impairment	(1,527,192)	(17,112,764)
Sale of assets – Cost	-	(8,908,822)
Foreign Exchange Adjustment	-	1,128,550
Cost at the end of the financial year	-	-
<i>Less Amortisation costs</i>		
At the beginning of the financial year	-	(8,595,347)
Amortisation charge for the year	-	-
Sale of assets – Accumulated amortisation	-	8,908,822
Foreign Exchange Adjustment	-	(313,475)
At the end of the financial year	-	-
Net Capitalised Exploration	-	-

The Company completed the sale of the Gulf of Mexico interests in May 2016 last year – refer to Note 26. The Company also completed an extensive review of the capitalised exploration expenditures at the end of 30 June 2016 which resulted in the impairment of all interests in the GRB. All capitalised exploration expenditure was impaired at 30 June 2017.

NOTE 10. PRODUCTION PLANT AND EQUIPMENT

At cost	-	3,939,395
Accumulated depreciation	-	(3,939,395)
Total Production Plant and Equipment	-	-
<i>Movement in net carrying value</i>		
At the beginning of the financial year	-	3,212,193
Additions	-	-
Amortisation	-	-
Depreciation charge for the year	-	(225,823)
Impairment of production plant and equipment	-	(3,161,639)
Foreign Exchange Adjustment	-	175,269
Total Production Plant and Equipment	-	-
Total Interest in North American Oil and Gas Projects	-	-

The consolidated entity purchased the remaining interests in the Slater Dome Partnership, LLLP partnership last year, resulting in 100% ownership of a pipeline located within the Niobrara Oil Gas play. The pipeline was fully impaired at the end of last year. During the year ended 30 June 2017, the Company sold the Slater Dome system for AUD\$132,436 (USD100,000), of which USD10,000 deposit has been received prior to year end and the balance received post year end.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity

2017 2016
\$ \$

NOTE 11. TRADE AND OTHER PAYABLES (CURRENT)

Trade creditors and accrued expenses	474,101	757,695
	474,101	757,695

Trade creditors are non-interest bearing and generally on 30 day terms.

\$207,247 relates to the Battle Mountain AML joint venture and is disputed by Entek. The Company in turn has made a counter claim for \$260,000.

\$100,292 relates to legal costs which the Company considers as unreasonable and is seeking to settle for a reduced amount.

NOTE 12. PROVISIONS

(a). PROVISIONS (CURRENT)

Employee entitlements	17,757	18,962
	17,757	18,962

(b). PROVISIONS (NON-CURRENT)

Provision for rehabilitation	-	943,740
	-	943,740

The provision for rehabilitation has been fully written back in view that an existing environmental security bond and/or the sale of its US assets are sufficient to discharge the Company of any future liability.

NOTE 13. ISSUED CAPITAL

304,728,934 (2016: 510,657,387) fully paid ordinary shares	63,039,578	59,791,934
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Movements in Ordinary Shares

At the beginning of the financial year	59,791,934	59,791,934
63,800,000 share placement at \$0.005 in Nov 2016	319,000	-
161,114,467 rights issue at \$0.02 in Apr 2017	3,222,289	-
Share issue costs	(293,645)	-

At the End of the Financial Year	63,039,578	59,791,934
-----------------------------------------	-------------------	-------------------

The Company issued a total of 224,914,467 shares during the year to raise net \$3,247,644 for working capital purposes. In addition, a 4 for 1 share consolidation was executed in February 2017. No shares were issued in 2016.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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	
	2017	2016
	\$	\$
NOTE 14. RESERVES		
Option premium reserve	5,697,522	5,574,951
Currency translation reserve	4,659,850	4,743,948
	<u>10,357,372</u>	<u>10,318,899</u>
 <i>Movements in option premium reserve</i>		
At the beginning of the financial year	5,574,951	5,565,788
Share based payments expense ⁽¹⁾	-	9,163
Share issue cost	122,571	-
At the end of the financial year	<u>5,697,522</u>	<u>5,574,951</u>
 <i>Movements in currency translation reserve</i>		
At the beginning of the financial year	4,743,948	3,655,091
Movement for the year	(84,098)	1,088,857
At the end of the financial year	<u>4,659,850</u>	<u>4,743,948</u>

(1) The option premium reserve is used to accumulate the fair value of options issued. During the year, 10,000,000 facilitator's options were issued and recognised as a capital raising cost.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

	Consolidated Entity	
	2017	2016
	\$	\$
NOTE 15. CASH FLOW INFORMATION		
Reconciliation of cash flow from operations with loss after income tax		
(Loss) after tax	(1,190,738)	(20,113,430)
<i>Non-cash flows in loss</i>		
Depreciation of plant and equipment	6,430	264,592
Unrealised foreign exchange differences	(36,951)	-
Exploration expenditure written off	1,527,192	2,825,826
Impairment of inventory	10,330	45,424
Impairment of capitalised expenditure	-	17,112,764
Impairment of production plant and equipment	-	3,161,639
Production plant and equipment written off	-	57,289
Gain on sale of production assets	(141,052)	-
Provision for abandonment	275,467	-
Rehabilitation liability written back against security deposit	(886,531)	-
Gain on disposal of production licenses	-	(4,201,502)
Cost of share based payment	-	9,163
<i>Changes in assets and liabilities</i>		
Decrease/ (increase) in trade and other receivables	(132,690)	133,616
Increase/ (decrease) in other creditors and accruals	(4,095)	4,092
Increase/ (decrease) in provisions	(11,807)	6,161
Net cash (used in) operating activities	(584,445)	(694,366)
Reconciliation of cash and cash equivalents		
<i>Cash and cash equivalents at the end of the financial year is shown in the accounts as:</i>		
Cash	4,928,948	3,686,537
Cash and cash equivalents at the end of the financial year	4,928,948	3,686,537

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 2017, the Company incurred share based payments of \$121,571 (2016 - \$9,163). There are no financing facilities in place for the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Consolidated Entity	
2017	2016
\$	\$

NOTE 16. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company for: Auditing or reviewing the financial report	34,089	27,625
Remuneration of other auditors of subsidiaries for: Auditing or reviewing the financial report of subsidiaries	6,320	31,855
	40,409	59,480

NOTE 17. KEY MANAGEMENT PERSONNEL

Compensation of Key Management Personnel

Compensation by category:

Primary remuneration	289,184	701,228
Equity remuneration	-	-
	289,184	701,228

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 20.

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		Consolidated Entity	
	2017		2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	4,000,000	\$0.070	7,500,000	\$0.070
Forfeited	-	-	(1,500,000)	\$0.070
1 for 4 consolidation	(3,000,000)	\$0.28	-	-
Expired	-	-	(2,000,000)	\$0.070
Outstanding and exercisable at year end	1,000,000	\$0.28	4,000,000	\$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 to employees during the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 19. SEGMENT INFORMATION

Primary Reporting Business Segments

During the year ended 30 June 2017 and also during the year ended 30 June 2016, 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 2017						
Australasia	20,813	-	20,813	(533,757)	5,028,754	83,788
North America	140,382	-	140,382	(656,981)	190,986	408,070
Total	161,195	-	161,195	(1,190,738)	5,219,740	491,858

	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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 20. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated loss	
	2017	2016	2017	2016	2017	2016
			\$	\$	\$	\$
<i>Parent Entity</i>						
Entek Energy Limited						
<i>Entities controlled by Entek Energy Limited</i>						
Entek USA Inc	100%	100%	-	-	(659,230)	(23,770,796)
<i>Entities controlled by Entek USA Inc</i>						
Entek USA General LLC	-	100%	-	-	-	-
Entek USA Limited LLC	-	100%	-	-	-	-
Entek Energy USA LLC	-	100%	-	-	-	-
Entek GRB LLC	100%	100%	-	-	-	-
<i>Interests in controlled Entities held by Entek USA General LLC</i>						
Entek USA LP	-	1%	-	-	-	-
<i>Entities controlled by Entek USA Limited LLC</i>						
Entek USA LP	-	99%	-	-	-	-
			-	-	(659,230)	(23,770,796)
			-	-	(659,230)	(23,770,796)

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. During the year, the Group disposed of Entek USA General LLC, Entek USA Limited LLC and Entek Energy USA LLC (and the Entek USA LP) for a total of AUD\$7,946 (USD6,000).

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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

	Consolidated Entity	
	2017	2016
	\$	\$
<i>Capital</i>		
Capital Expenditure Commitments Payable:		
<i>Rental and Lease Payments</i>		
Not later than 1 year	24,840	125,718
Later than 1 year but not later than 2 years	-	62,647
Later than 2 years but not later than 5 years	-	20,773
	24,840	209,138
<i>Green River Basin Leases Expenditure Payable⁽¹⁾</i>		
Not later than 1 year	-	161,947
Later than 1 year but not later than 2 years	-	203,669
Later than 2 years but not later than 5 years	-	361,031
	-	726,647
	24,840	935,785

⁽¹⁾ *There is no legal obligation to renew the Green River Basin lease-holding. In addition, the Company is seeking to dispose of its assets, therefore no commitment has been provided for.*

NOTE 22. CONTINGENT LIABILITIES

At balance date, the Company has written down the rehabilitation provision as well as the corresponding environmental security bond in place to nil. This write down is on the basis that the Company believes it has discharged its rehabilitation obligations through the existing environmental security bond. The Company has no further contingent liabilities but has agreed that if and when a sale of the US assets is completed, then proceeds from the sale will be initially directed towards any additional obligation. In the event there is no sale transaction, no additional payments are required.

Apart from the above, there are no any contingent liabilities as at 30 June 2017.

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 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 2017. 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 2017 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	
	2017	2016
	\$	\$

Trade and sundry payables are expected to be paid as follows:

Less than 6 months	344,601	757,695
6 months to 1 year	-	-
Later than 1 year but not later than 5 years	-	-
Over 5 years	-	-
	344,601	757,695
	344,601	757,695

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

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 2017 \$	Aggregate net fair value 2017 \$	Carrying amount in the financial statements 2016 \$	Aggregate net fair value 2016 \$
<i>Financial Assets</i>				
Cash assets	4,928,948	4,928,948	3,686,537	3,686,537
Receivables	2,200	2,200	12,305	12,305
<i>Financial Liabilities</i>				
Payables	344,601	344,601	757,695	757,695
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 2017, 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	
	2017 \$	2016 \$
Change in profit/ (Loss) due to:		
Increase in interest rate by 2%	31,977	2,680
Decrease in interest rate by 2%	(31,977)	(2,680)
Change in equity due to:		
Increase in interest rate by 2%	31,977	2,680
Decrease in interest rate by 2%	(31,977)	(2,680)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Foreign Currency Risk Sensitivity Analysis

At 30 June 2017, 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

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

	Consolidated Entity	
	2017	2016
	\$	\$
Rental fee for the sub-lease of furnished office space paid or payable by Discovery Capital Limited, a company associated with director, Howard Dawson	10,518	-
Balances due to Directors and Directors Related Entities at year end		
- Included in trade receivables	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 26. DISCONTINUED OPERATIONS

During the year ended 30 June 2017, the Company put its US subsidiaries and operations up for sale, and was separately disclosed as discontinued operations in the Statement of Profit and Loss and Other Comprehensive Income. The comparative figures were restated to include this change.

During the year ended 30 June 2016, the Company sold its interest in the Gulf of Mexico ("Producing Interest"). Financial information relating to the sale is set out below:

	Consolidated Entity	
	2017	2016
	\$	\$
Financial Performance		
Revenue	132,436	202,123
Total expenses including impairment	(786,362)	(23,428,765)
Gross loss	<u>(653,926)</u>	<u>(23,226,642)</u>
Income tax expense	-	-
Net loss attributable to discontinued operations	<u>(653,926)</u>	<u>(23,226,642)</u>
Profit on disposal of Producing Interests	-	4,201,502
Income tax expense	-	-
Loss from discontinued operations after tax	<u>(653,926)</u>	<u>(19,025,140)</u>
Information relating to the financial position of the Producing Interests on discontinued operations is set out below:		
Carrying amounts of assets and liabilities:		
Current assets	190,986	394,121
Capitalised exploration expenses – written down value	-	-
Total assets	<u>190,986</u>	<u>394,121</u>
Trade Creditors	408,068	684,909
Provision for restoration	-	2,359,349
Total liabilities	<u>408,068</u>	<u>3,044,258</u>
Net (liability)	<u>(217,082)</u>	<u>(2,650,137)</u>
Cash flow information for the period:		
Net cash outflow from operating activities	(1,625,487)	(1,999,241)
Net cash inflow from investing activities	15,529	207,835
Net cash inflow from financing activities	<u>1,468,981</u>	<u>4,780,070</u>
Net cash used for the period	<u>(140,977)</u>	<u>2,988,664</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 26. DISCONTINUED OPERATIONS (CONTINUED)

	Consolidated Entity	
	2017	2016
	\$	\$
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 interest from 20% to 100% resulting in 51,799 net acres across 139,708 gross acres.

During the year, the Company disposed of the Slater Dome Gathering System, a pipeline located within the Niobrara Oil Gas play for AUD\$132,436 (USD100,000). Refer to 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

NOTE 29. PARENT FIGURES DISCLOSURES

	2017	2016
	\$	\$
<i>Assets</i>		
Current Assets	5,023,386	202,990
Non-current assets	5,368	2,525,105
Total assets	5,028,754	2,728,095
<i>Liabilities</i>		
Current liabilities	83,785	95,591
Total liabilities	83,785	95,591
<i>Net Assets</i>	4,944,969	2,632,504
<i>Equity</i>		
Issued capital	63,039,578	59,791,934
Retained earnings	(63,792,131)	(62,734,381)
<i>Reserves</i>		
Option premium reserve	5,697,522	5,574,951
Total equity	4,944,969	2,632,504
<i>(Loss) for the year</i>	(1,057,753)	(21,859,121)
<i>Other comprehensive income</i>		
<i>Total comprehensive Income</i>	(1,057,753)	(21,859,121)

At the reporting date net amounts receivable from controlled entities at cost totalled nil after the recognition of an impairment against the amount receivable in the current year of \$428,349 (2016: \$26,190,008). 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.

Contingent liabilities of the parent entity

Apart from contingent liabilities disclosed in note 22 for the Group, the parent entity did not have any other contingent liabilities as at 30 June 2017 and 2016.

Subsequent events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the parent entity, the results of those operations, or the state of affairs of the parent entity in subsequent financial years.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Entek Energy Limited, the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

We have defined the matters described below to be key audit matters to be communicated in our report. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters

How the matter was addressed in the audit

Going Concern

As referred to in Note 1(b) to the financial statements, the financial statements have been prepared on the going concern basis. At 30 June 2017, the consolidated entity had a working capital of \$4,722,514, cash and cash equivalents of \$4,928,948 and current liabilities of \$491,858.

The consolidated entity has incurred a loss after tax for the year amounting to \$1,190,738. We identified that the most significant assumption in assessing the Group's ability to continue as a going concern was its ability to either manage its current cash holding or raise further capital as and when required in the future. The calculations supporting the assessment require management to make highly subjective judgments and estimates of expenses and cash flows. The calculations are based on estimates of future performance, and are fundamental to assessing the suitability of the basis adopted for the preparation of the financial statements.

We have therefore spent significant audit effort, including the time of senior members of our audit team, in assessing the appropriateness of this assumption.

Inter alia, our audit procedures included the following:

- i. Examining the Group's current cash levels and comparing current cash burn rate.
- ii. We performed appropriate procedures on the Group's cash flow budget over the next 12 months to help ensure assumptions taken into consideration are reasonable.
- iii. We reviewed Board minutes to help identify any potential issues and compared to assumptions used in the cash flow budget.
- iv. Discussed with management and the Board regarding its expectation of future operations to help identify any potentially large expenditure and whether there was a need for further capital raisings.
- v. Reviewed post-balance events for evidence of any issues that would significantly affect the ability of the Group to continue as a going concern.

Provisions

At the 30 June 2017 the Group evaluated its provision for rehabilitation. During the year, Entek GRB LLC commenced legal formalities to wind down operations in the USA, and is now in the process of rationalising its remaining onshore USA assets.

As a result, the entity negotiated with the State authorities to surrender its security deposits held in guarantor for rehabilitation costs in order to waive any further rehabilitation expenditure.

We have spent significant audit effort on ensuring the rehabilitation provisions were appropriately accounted for and are in line with accounting standards and applicable environmental legalisation.

Inter alia, our audit procedures included the following:

- i. Obtaining an understanding of the legal obligations of Entek GRB LLC and its requirements under the applicable environmental legalisation.
- ii. Discussions with management regarding the legal obligations of Entek GRB LLC under the local laws and whether there would be any further rehabilitation costs in the future, and under what circumstances would rehabilitation costs arise.
- iii. Sought legal confirmation of the entity's current legal status in regard to provisions.
- iv. Reviewed the requirements of the relevant accounting standards and need for disclosures to achieve fair presentation and reviewed the financial statements to ensure appropriate disclosures are made.
- v. Reviewed post-balance events for evidence of any rehabilitation costs.

Discontinued Operations

During the year, Entek GRB LLC (a wholly owned subsidiary of Entek Limited) commenced legal formalities to wind down its operations. Entek GRB LLC incurred a loss of \$653,926 to 30 June 2017 and had a net liability position of \$217,084 as at 30 June 2017.

Inter alia, our audit procedures included the following:

- i. Obtain and audited the financial information of Entek GRB LLC for the year ended 30 June 2017.

We have spent significant audit effort on ensuring the discontinued operations were appropriately accounted for and the disclosures in the financial report are in accordance with *Discontinued Operations AASB 1042*.

ii. Reviewed accounting standards to ensure change in operating activities of Entek GRB LLC do qualify to be classified as a discontinued operation.

iii. Ensured disclosures in the financial report are in line with *Discontinued Operations AASB 1042*.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. 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 of the financial report that gives a true and fair view 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of 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.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may

cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the consolidated financial report of the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 30 June 2017.

In our opinion the Remuneration Report of Entek Energy Limited for the year ended 30 June 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

Stantons International

Samir Tirodkar
Director



West Perth, Western Australia
29 August 2017

29 August 2017

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 2017, 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

The shareholder information set out below was applicable as at 31 July 2017

1. TWENTY LARGEST SHAREHOLDERS

	Ordinary Shares	Number of Shares	Percentage of Total
1	Frozen Moolah Pty Ltd <Tangled A/C>	14,000,000	4.59%
2	HSBC Custody Nominees (Australia) Limited	10,103,027	3.32%
3	GDR Pty Ltd <The Riley Super Fund A/C>	10,000,000	3.28%
4	Mr Jason Peterson + Mrs Lisa Peterson <J & L Peterson S/F A/C>	7,750,000	2.54%
5	UBS Nominees Pty Ltd	6,245,100	2.05%
6	Willowdale Holdings Pty Ltd	6,000,000	1.97%
7	Miningnut Pty Ltd	5,750,000	1.89%
8	AR1 Capital Pty Ltd	5,000,000	1.64%
9	Pheakes Pty Ltd <Senate A/C>	5,000,000	1.64%
10	Ian Sandover & Associates Pty Ltd <Sandover Super A/C>	4,750,000	1.56%
11	Topspeed Pty Ltd <Skinner No. 1 Super A/C>	4,536,387	1.49%
12	Yea-Sayer Pty Ltd	4,000,000	1.31%
13	Mr David James Wall <The Reserve A/C>	3,750,000	1.23%
14	Off The Planet Investments Pty Ltd <The Grierson FTA/C>	3,500,000	1.15%
15	Mr James David Taylor	3,273,984	1.07%
16	Struven Nominees Pty Ltd <Alan Strunin Staff S/F A/C>	3,062,500	1.00%
17	AF Consulting Pty Ltd <AF Investments S/Fund A/C>	3,000,000	0.98%
18	Mr Richard Hugo Hamersley <Greenidge A/C>	3,000,000	0.98%
19	Scintilla Strategic Investments Limited	3,000,000	0.98%
20	Mrs Hillary Somerville Statham + Mr Thomas Charles Statham <Merlin Super Fund A/C>	3,000,000	0.98%
	Total Top 20	108,720,998	35.68%
	Other	196,007,936	64.32%
		304,728,934	100.00%

2. SUBSTANTIAL SHAREHOLDERS

The Company has no substantial shareholders.

ADDITIONAL INFORMATION

3. DISTRIBUTION OF EQUITY SECURITIES

	Ordinary Shares	Unlisted Options
1 - 1,000	92	-
1,001 - 5,000	139	-
5,001 - 10,000	84	-
10,001 - 100,000	508	-
100,001 - and over	296	16
Total number of holders	,1,119	16
Holdings of less than a marketable parcel	440	

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	1,000,000	4
Unlisted options issued under shareholders approval	13,190,000	12
	<u>14,190,000</u>	<u>16</u>

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

REGISTERED OFFICE OF THE COMPANY

338 Hay Street
Subiaco
Western Australia 6008

Tel: +61 (8) 9381 4975

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 Limited
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

INTERESTS IN OIL & GAS TENEMENTS

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