

Entek Energy Limited
ABN 43 108 403 425

Financial Report for the Half-Year to
31 December 2005

ENTEK ENERGY LIMITED
CORPORATE DIRECTORY

DIRECTORS: Russell Brimage (Chairman)
Paul Garner
Ian Sandover

COMPANY SECRETARY: Jack Hugh Toby FCA AACS

REGISTERED OFFICE: 45 Ventnor Ave
West Perth WA 6005
Australia

Tel: +61 (8) 9429 8862
Fax: +61 (8) 9389 4462

AUDITORS: **Stanton Partners**
Level 1
1 Havelock St
West Perth WA 6005

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

SHARE REGISTRY: **Computershare Investor Services Pty Ltd**
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000

GPO Box D182
Perth, Western Australia 6840

Tel: +61 1300 557 010
Fax: +61 (8) 9323 2033

ENTEK ENERGY LIMITED DIRECTORS' REPORT

The directors present the financial report of Entek Energy Limited A.C.N. 108 403 425 ("Company") for the half-year ended 31 December 2005.

DIRECTORS

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

Russell Brimage	(appointed 10-Aug-05)
Paul Garner	(appointed 10-Aug-05)
Ian Sandover	(appointed 15-Feb-06)
Guiseppe Mercorella	(resigned 10-Aug-05)
Carmine Barone	(resigned 10-Aug-05)
Julian Waterman	(resigned 24-Nov-05)
Geoffrey Gander	(appointed 29-Aug-05 resigned 15-Feb-06)

OPERATING RESULTS

The operating loss for the Company, after income tax amounted to \$625,440.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

The following significant changes in the state of affairs of the Company occurred during the financial half-year:

During July 2005 the company took part in a placement of Enterprise Energy NL shares, subscribing for 2,500,000 shares at 10 cents each for a total investment of \$250,000. The company also sold 3,207,963 shares in Enterprise Energy NL for total proceeds of \$250,490.

On 28 July 2005 the buy back of un-marketable parcels was completed by the issue of cheques. The company bought back 1,262,075 shares at 17 cents for total proceeds of \$214,552. These shares were cancelled on 30 August 2005.

On 29 August 2005, the Company issued 5,925,000 fully paid ordinary shares in the Company for 4 cents per share.

On 31 August 2005, the Company issued convertible notes for \$763,000. The notes were redeemable on 15 August 2006 and earn interest of 10% per annum. They are convertible at the lenders discretion to fully paid ordinary shares in the Parent Entity at 4 cents per share.

During August 2005 the company sold an additional 1,486,332 shares in Enterprise Energy Limited for total proceeds of \$91,348. The total profit on the sale of the Enterprise Energy NL was \$98,660.

The listed securities of the Company were suspended on 3 August 2005 and reinstated by the Australian Stock Exchange Ltd on 29 August 2005.

By the end of September 2005, the cash calls for all joint ventures had been paid up to date and the defaults have been remedied.

On 20 October 2005, the Company announced the sale of its South Australian Cooper Basin interests, comprising 12.5% in each of PEL's 86, 87, 89, 104, 111 and 115. The consideration for the sale is \$1,500,000 in cash, 35,000,000 ordinary shares in Impress Ventures Limited ("ITC"), a company listed on the Australian Stock Exchange and 5,000,000 options, each of which entitles the option holder to buy one ITC Share at 8 cents and has an expiry date of two years following completion of the sale. The sale was subject to shareholder approval.

On 7 November 2005, the Company issued 9,450,000 fully paid ordinary shares in the Company for 4 cents per share pursuant to the conversion of \$378,000 convertible notes.

On 24 November 2005, the Company issued 10,628,570 fully paid ordinary shares at 3.5 cents per share. The issue of these shares was approved at the General Meeting of shareholders held on 20 October 2005.

On 24 November 2005, the Company issued 9,625,000 fully paid ordinary shares in the Company for 4 cents per share pursuant to the conversion of \$385,000 convertible notes.

**ENTEK ENERGY LIMITED
DIRECTORS' REPORT**

EVENTS SUBSEQUENT TO BALANCE DATE

On 11 January 2006, the Company issued 9,371,430 fully paid ordinary shares at 4.3 cents per share. The issue of these shares was approved at the General Meeting of shareholders held on 20 October 2005.

On 25 January 2006, a General Meeting of shareholders of the Company approved the sale of its South Australian Cooper Basin interests, comprising 12.5% in each of PEL's 86, 87, 89, 104, 111 and 115.

On 25 January 2006, the Company issued 12,000,000 free options exercisable at 10 cents each and expiring on 31 December 2008. These options included 8,000,000 options issued to directors of the Company which was approved at the General Meeting of shareholders held on 25 January 2006.

On 15 February 2006, the Company announced the proposed acquisition, subject to shareholder approval, of all of the issued capital of South Marsh LLC, a company registered in the USA, for \$20,000. The acquisition would be through Entek USA Inc, a wholly owned subsidiary of the Company registered in the USA.

On 7 February 2006 South Marsh LLC entered into the GulfX Agreement whereby South Marsh LLC was granted the right to earn a 7.5% working interest of the 20% working interests which GulfX LLC has a right to earn in South Marsh Island Blocks 152 and 138, located in the Gulf of Mexico ("US Properties"). Pursuant to the GulfX Agreement South Marsh LLC will:

- a) assume 37.5% of GulfX's funding obligations in respect of the US Properties up to the earning points specified below;
- b) procure the issue of 1,000,000 Discovery Shares in the capital of the Company; and
- c) pay the sum of A\$200,000 to GulfX as a partial reimbursement for the costs incurred by GulfX in negotiating the Ridgelake Agreement.

Subject to fulfilment of its undertakings and upon receiving title to a 20% working interest in the US Properties from Ridgelake, GulfX will assign 37.5% of said interest to South Marsh LLC. This will result in a 7.5% overall working interest in the US Properties in favour of South Marsh LLC and a 12.5% overall working interest in the US Properties in favour of GulfX. If South Marsh LLC fails to meet its obligations to either or both of the US Properties it ceases to have an interest in either or both of the subject leases, as the case may be.

Pursuant to the Ridgelake Agreement and the GulfX Agreement, South Marsh LLC has agreed, amongst other things, to:

- a) meet 10.00125% of Ridgelake's sunk costs and the costs of maintaining the US Properties until South Marsh LLC has earned its interest in the US Properties, being approximately US\$301,890 (A\$402,519) at a US\$0.75 per AUD\$1 exchange rate; and
- b) contribute to the exploration and/or development costs on each of US Properties as follows:
 - i) South Marsh Island 152. Pay 10.00125% of the cost to drill one appraisal well and, if deemed by GulfX LLC to be commercial, contribute a further cash payment equal to 2.50125% of: 1) the estimated cost of completing the well; 2) one third of the estimated cost of fabrication and installation of a suitable platform; and 3) the estimated cost of a flowline;
 - ii) South Marsh Island 138. Pay 10.00125% of the cost to drill one exploration well to casing decision point and, if deemed by GulfX LLC to be commercial, to contribute a further cash payment equal to 2.50125% of the cost of the initial well through to casing decision point; and

ENTEK ENERGY LIMITED
DIRECTORS' REPORT

- iii) procure to issue to Ridgelake
1,000,000 Discovery Shares
in the Company.

The Discovery Shares are a separate class to the fully paid ordinary shares in the capital of the Company ("Shares") and will be convertible into Shares on a 1 for 1 basis where there is a commercial discovery of hydrocarbons (as declared by the operator in accordance with the prevailing definition of commerciality published by the USA Minerals Management Service) on any prospects in which the Company or a related body corporate has an interest; or on a 1 for 25,000 basis where there is no commercial discovery of hydrocarbons during the initial 5 year term of the issue of the Discovery Shares.

**AUDITORS INDEPENDENCE
DECLARATION**

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Stanton Partners have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2005. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.



Paul Garner
Director

13 March 2006
Perth, Western Australia

**ENTEK ENERGY LIMITED
DIRECTORS' DECLARATION**

The directors of Entek Energy Limited A.C.N. 055 719 394 ("Company") declare that:

- a) in their opinion the accompanying financial statements and notes of the Company;
 - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the Company's financial position as at 31 December 2005 and its performance for the half-year ended on that date; and
- b) In their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Paul Garner
Director

13 March 2006
Perth, Western Australia

ENTEK ENERGY LIMITED
CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	2005 \$	2004 \$
CONTINUING OPERATIONS			
Revenue	2	474,676	—
		474,676	—
GROSS PROFIT			
Other income	2	5,862	55,416
Other expenses	2	(1,105,978)	(653,385)
		(625,440)	(597,969)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX			
Income tax		—	—
		(625,440)	(597,969)
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX			
		(625,440)	(597,969)
NET LOSS ATTRIBUTABLE TO MEMBERS			
		(625,440)	(597,969)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(1.26)	(0.03)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(1.26)	(0.03)

The accompanying notes form part of this financial report

ENTEK ENERGY LIMITED
CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Note	31 December 2005 \$	30 June 2005 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		222,082	8,207
Trade and other receivables		260,469	6,566
Other financial assets		—	12,268
TOTAL CURRENT ASSETS		482,551	27,041
NON-CURRENT ASSETS			
Mining Tenements		116,497	—
Investments		—	263,487
TOTAL NON-CURRENT ASSETS		116,497	263,487
TOTAL ASSETS		599,048	290,528
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		384,921	543,217
Provisions		—	8,036
TOTAL CURRENT LIABILITIES		384,921	551,253
TOTAL LIABILITIES		384,921	551,253
NET ASSETS		214,127	(260,725)
EQUITY			
Issued capital	3	4,232,123	3,131,831
Accumulated losses		(4,017,996)	(3,392,556)
TOTAL EQUITY		214,127	(260,725)

The accompanying notes form part of this financial report

ENTEK ENERGY LIMITED
CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		244,037	—
Payments to suppliers & employees		(272,170)	(186,316)
Interest received		5,862	42,895
Interest and finance costs paid		(31,813)	—
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(54,084)	(143,421)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration expenditure		(924,163)	—
Proceeds from sale of investments		91,830	—
Investment in joint ventures		—	(1,309,355)
Loans to unrelated parties		—	(1,035,000)
Loan repayments from unrelated parties		—	235,000
Loans to related parties		—	(380,000)
Purchase of investments		—	(491,644)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(832,333)	(2,980,999)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		609,000	3,720,001
Share buy back		(214,553)	—
Loans from unrelated parties		763,000	—
Share issue costs		(57,155)	(500,766)
Loans from related parties		—	220,000
Loan repayments to related parties		—	(220,000)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		1,100,292	3,219,235
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		213,875	94,815
Cash and cash equivalents at beginning of period		8,207	—
CASH AND CASH EQUIVALENTS AT END OF PERIOD	4	222,082	94,815

The accompanying notes form part of this financial report

ENTEK ENERGY LIMITED
CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

<u>Attributable to Members of the Company</u>	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2004</i>	1	—	1
Loss for period	—	(597,969)	(597,969)
TOTAL LOSS FOR THE PERIOD	—	(597,969)	(597,969)
Shares issued	3,720,000	—	3,720,000
Capital raising costs	(588,170)	—	(588,170)
AT 31 DECEMBER 2004	3,131,831	(597,969)	2,533,862

<u>Attributable to Members of the Company</u>	Issued Capital \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2005</i>	3,131,831	(3,392,556)	(260,725)
Loss for period	—	(625,440)	(625,440)
TOTAL LOSS FOR THE PERIOD	—	(625,440)	(625,440)
Shares issued	1,372,000	—	1,372,000
Share buy back	(214,553)	—	(214,553)
Capital raising costs	(57,155)	—	(57,155)
AT 31 DECEMBER 2005	4,232,123	(4,017,996)	214,127

The accompanying notes form part of this financial report

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of Entek Energy Limited as at 30 June 2005, which was prepared based on Australian Accounting Standards applicable for financial years beginning before 1 January 2005 ('AGAAP'). It is also recommended that the half year financial report be considered together with any public announcements made by Entek Energy Limited during the half year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting

The half-year financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements.

The half-year financial report has been prepared on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Going Concern

These financial statements have been prepared on a going concern basis. However, the ability of the Company to actively explore and continue as a going concern and to meet its debts and commitments as they fall due, is dependent on further capital raisings. Accordingly, there is a significant uncertainty whether the Company will continue as a going concern, and therefore, whether it will realise its assets and settle its liabilities and commitments in the normal course of business and at the amounts stated in the financial statements. The Directors are confident that the Company will be successful in raising further capital and, accordingly, have prepared these financial statements on a going concern basis. At this time the directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in these financial statements. Accordingly, no adjustments have been made to the financial statements relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.

Statement of compliance

The half-year financial report complies with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

This is the first half-year financial report prepared based on AIFRS and comparatives for the half-year ended 31 December 2004 and full-year ended 30 June 2005 have been restated accordingly. A summary of the significant accounting policies of the Company under AIFRS are disclosed below.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by Entek Energy Limited A.C.N. 108 403 425 ("Company") in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

a) Taxes

Income Tax

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

except 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 balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. 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 balance sheet date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Other Taxes

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

b) 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, sick 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; sick leave and other leave and other employee entitlements are charged against profits on a net basis.

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

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

c) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with 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.

d) Revenue recognition

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised when control of the right to receive interest has been obtained.

e) 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 Balance Sheet. 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.

f) Recoverable amount

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount. Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash generating unit to which the asset belongs. 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.

g) 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.

h) 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.

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

i) 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 3 to 15 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.

j) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred. Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis. Bills of exchange, promissory notes and deposits are measured at the lower of cost and net realisable value. Terms of payment are 30 to 60 days.

k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at mortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis. Deferred cash settlements are recognised at the present value of the outstanding consideration payable on the acquisition of an asset discounted at prevailing commercial borrowing rates. Terms of payment are 30 to 60 days.

l) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date i.e. the date that the Company commits to purchase the asset.

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

m) Share-based payment transactions

The Company provides benefits to employees (including directors) of the Company 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 a Employee Share Option Plan (ESOP) 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 a binomial model. 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 Company, 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. Shares in the Company held by the ESLP are classified and disclosed as Treasury shares and deducted from equity.

n) AASB 1 Transitional exemptions

The Company has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139

The Company has elected to adopt this exemption and has not applied AASB 132 'Financial Instruments: Presentation and Disclosure' and AASB 139 'Financial Instruments: Recognition and Measurement' to its comparative information. The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ('AGAAP') are illustrated below.

Share-based payment transactions

AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

o) Impact of adoption of AIFRS

The impacts of adopting AIFRS on total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 ("AGAAP") are illustrated below:

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

Reconciliation of total equity as presented under AGAAP to that under AIFRS

	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total Equity \$
<i>Under AGAAP at 30 June 2005</i>	3,131,831	—	(3,392,556)	(260,725)
UNDER AIRFS AT 30 JUNE 2005	3,131,831	—	(3,392,556)	(260,725)

There were no material impacts to equity from adopting AIFRS for the 6 months ended 31 December 2004. There were no material impacts to the income statement from adopting AIFRS for the 6 months ended 31 December 2004 and for the year ended 30 June 2005.

	2005 \$	2004 \$
NOTE 2. REVENUE AND EXPENSES		
<i>The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Company:</i>		
REVENUE		
Oil sales	474,676	—
	<u>474,676</u>	<u>—</u>
OTHER INCOME		
Interest received from other persons	5,862	55,416
TOTAL REVENUE	<u>480,538</u>	<u>55,416</u>
CHARGING AS EXPENSES		
Staff and consultants	50,752	74,910
Exploration expenses	595,271	415,805
Legal Fees	53,543	—
Interest	31,813	—
Loss on disposal of investments	171,657	35,487
Other	202,942	127,183
	<u>1,105,978</u>	<u>653,385</u>

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

	2005 \$	2004 \$
NOTE 3. ISSUED CAPITAL		
ORDINARY SHARES		
73,866,496 fully paid ordinary shares	4,232,123	—
39,500,001 fully paid ordinary shares	—	3,131,831
	4,232,123	3,131,831
	4,232,123	3,131,831
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the period	3,131,831	1
5,925,000 shares issued on 29 August 2005	237,000	—
1,262,075 shares cancelled on 30 August 2005	(214,553)	—
9,450,000 shares issued on 7 November 2005	378,000	—
10,628,570 shares issued on 24 November 2005	372,000	—
9,625,000 shares issued on 24 November 2005	385,000	—
39,500,000 shares issued on 9 August 2004	—	3,720,000
Capital raising costs	(57,155)	(588,170)
	4,232,123	3,131,831
	4,232,123	3,131,831
AT THE END OF THE FINANCIAL PERIOD		

NOTE 4. RECONCILIATION OF CASH AND CASH EQUIVALENTS

For the purposes of the Condensed Cash Flow Statement, cash and cash equivalents comprise cash at bank.

NOTE 5. SEGMENT INFORMATION

During the half-year ended 31 December 2005 and 31 December 2004, the Company was engaged in the energy sector and operated entirely in Australia.

NOTE 6. CONTINGENT LIABILITIES

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

NOTE 7. EVENTS SUBSEQUENT TO BALANCE DATE

On 11 January 2006, the Company issued 9,371,430 fully paid ordinary shares at 4.3 cents per share. The issue of these shares was approved at the General Meeting of shareholders held on 20 October 2005.

On 25 January 2006, a General Meeting of shareholders of the Company approved the sale of its South Australian Cooper Basin interests, comprising 12.5% in each of PEL's 86, 87, 89, 104, 111 and 115.

On 25 January 2006, the Company issued 12,000,000 free options exercisable at 10 cents each and expiring on 31 December 2008. These options included 8,000,000 options issued to directors of the Company which was approved at the General Meeting of shareholders held on 25 January 2006.

On 15 February 2006, the Company announced the proposed acquisition, subject to shareholder approval, of all of the issued capital of South Marsh LLC, a company registered in the USA, for \$20,000. The acquisition would be through Entek USA Inc, a wholly owned subsidiary of the Company registered in the USA.

ENTEK ENERGY LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

On 7 February 2006 South Marsh LLC entered into the GulfX Agreement whereby South Marsh LLC was granted the right to earn a 7.5% working interest of the 20% working interests which GulfX LLC has a right to earn in South Marsh Island Blocks 152 and 138, located in the Gulf of Mexico ("US Properties"). Pursuant to the GulfX Agreement South Marsh LLC will:

- a) assume 37.5% of GulfX's funding obligations in respect of the US Properties up to the earning points specified below;
- b) procure the issue of 1,000,000 Discovery Shares in the capital of the Company; and
- c) pay the sum of A\$200,000 to GulfX as a partial reimbursement for the costs incurred by GulfX in negotiating the Ridgelake Agreement.

Subject to fulfilment of its undertakings and upon receiving title to a 20% working interest in the US Properties from Ridgelake, GulfX will assign 37.5% of said interest to South Marsh LLC. This will result in a 7.5% overall working interest in the US Properties in favour of South Marsh LLC and a 12.5% overall working interest in the US Properties in favour of GulfX. If South Marsh LLC fails to meet its obligations to either or both of the US Properties it ceases to have an interest in either or both of the subject leases, as the case may be.

Pursuant to the Ridgelake Agreement and the GulfX Agreement, South Marsh LLC has agreed, amongst other things, to:

- a) meet 10.00125% of Ridgelake's sunk costs and the costs of maintaining the US Properties until South Marsh LLC has earned its interest in the US Properties, being approximately US\$301,890 (A\$402,519) at a US\$0.75 per AUD\$1 exchange rate; and
- b) contribute to the exploration and/or development costs on each of US Properties as follows:
 - i) South Marsh Island 152. Pay 10.00125% of the cost to drill one appraisal well and, if deemed by GulfX LLC to be commercial, contribute a further cash payment equal to 2.50125% of: 1) the estimated cost of completing the well; 2) one third of the estimated cost of fabrication and installation of a suitable platform; and 3) the estimated cost of a flowline;
 - ii) South Marsh Island 138. Pay 10.00125% of the cost to drill one exploration well to casing decision point and, if deemed by GulfX LLC to be commercial, to contribute a further cash payment equal to 2.50125% of the cost of the initial well through to casing decision point; and
 - iii) procure to issue to Ridgelake 1,000,000 Discovery Shares in the Company.

The Discovery Shares are a separate class to the fully paid ordinary shares in the capital of the Company ("Shares") and will be convertible into Shares on a 1 for 1 basis where there is a commercial discovery of hydrocarbons (as declared by the operator in accordance with the prevailing definition of commerciality published by the USA Minerals Management Service) on any prospects in which the Company or a related body corporate has an interest; or on a 1 for 25,000 basis where there is no commercial discovery of hydrocarbons during the initial 5 year term of the issue of the Discovery Shares.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in subsequent financial periods.



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

QUALIFIED INDEPENDENT REVIEW REPORT TO THE MEMBERS OF ENTEK ENERGY LIMITED

Scope

We have reviewed the financial report comprising of the income statement, balance sheet, statement of cash flows, statement of changes in equity, accompanying notes to the financial statements and the directors' declaration of Entek Energy Limited (the Company) for the period ended 31 December 2005. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company that complies with Accounting Standard AASB 134 "Interim Financial Reporting" in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the report.

Review approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration.

Qualification

At 30 June 2005, the Company owned 2,927,632 shares in Enterprise Energy NL ("Enterprise") at a carrying value of \$263,487 and acquired a further 2,500,000 shares in July 2005 at a cost of \$250,000 to take the total number of shares acquired to 5,427,632. We have sighted broker sale contract notes for 4,694,295 shares in Enterprise and it is claimed by the current directors that no further shares in Enterprise are held by the Company as at 31 December 2005. The shortfall of 733,337 shares cannot be accounted for and the proceeds received by the Company only totalled \$91,349 yet the contract sale notes disclose net proceeds of \$341,493. Accordingly, we cannot be assured that the profit on sale of \$98,660 disclosed in the income statement is fairly stated and are unable to determine whether all Enterprise shares have been sold and funds properly accounted for.



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

Statement

Based on our review, which is not an audit, except for adjustments, if any, that might have been determined to be necessary had the limitation referred to in the qualification paragraph not existed, we have not become aware of any matter that makes us believe that the half-year financial report of Entek Energy Limited is not in accordance with

- a) the Corporations Act 2001, including:
 - i) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance for the period ended on that date; and
 - ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

Inherent Uncertainty Regarding Going Concern

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

As referred to in note 1 to the financial statements, the financial statements have been prepared on a going concern basis. The ability of the Company to continue as a going concern and meet its planned exploration, administration, and other commitments is dependent upon the Company raising further working capital, and/or commencing profitable operations. In the event that the Company cannot raise further equity, the Company may not be able to meet its liabilities as they fall due and the realisable value of the Company's non-current assets may be significantly less than book values.

STANTON PARTNERS

J P Van Dieren
Partner

West Perth, Western Australia
13 March 2006



STANTON PARTNERS

1 HAVELOCK STREET
WEST PERTH 6005
WESTERN AUSTRALIA

TELEPHONE: (08) 9481 3188

Facsimile: (08) 9321 1204

e-mail: australia@stanton.com.au

13 March 2006

Board of Directors
Entek Energy Limited
45 Ventnor Avenue
WEST PERTH WA 6005

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 Partner for the review of the financial statements of Entek Energy Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely,
STANTON PARTNERS

John Van Dieren
Partner