

2010



ANNUAL REPORT



CORPORATE DIRECTORY

DIRECTORS: Craig Ian McGown (Chairman)
Russell Ernest Brimage (Chief Executive Officer)
David Anthony Craig
Andrew John Padman
Ian Richard Sandover (Resigned 31 December 2009)

COMPANY SECRETARY: Andrew James Gastevich

ABN: 43 108 403 425

REGISTERED OFFICE: Ground Floor
15 Rheola St
West Perth, Western Australia 6005

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

AUDITORS: **Stantons International**
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

This annual 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 and Cities Energy Pty Ltd 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 report.



CHAIRMAN'S LETTER

I have pleasure in presenting my report as Chairman of your Company in a year which has seen the implementation of the strategies developed by your Board in the previous twelve months.

The significant events in the financial year and subsequently have been:

- Undertaking the drilling of the Butter Lake 32-10 well within the Focus Ranch Unit and workovers of the Battle Mountain 14-15A and Robidoux 13-15T wells in the Slater Dome Field in the Green River Basin, in which Entek is now entitled to an interest of 36% and is well advanced towards earning its maximum interest of 55%. Oil and gas has now been recovered from 4 wells across the acreage and your technical team has become more comfortable with its knowledge of this extremely promising field, for which Entek took over operatorship in the June, 2010 quarter. Your Company now has a significant interest in 66,000 gross acres in a region which is becoming increasingly sought after by a number of major oil and gas groups.
- Continuing exploration and development work in the Gulf of Mexico, where the North Padre Block 975 (PN-975) commenced production in June, 2010 at the rate of 4 MMCF per day. This well is an important addition to the continuing production from the High Island 24L well, your Company's other producing interest in the Gulf of Mexico. While, as a result of the BP incident in the deepwater region of the Gulf of Mexico the region's oil and gas operations have been the subject of considerable debate, your Company's activities in the shallow water have continued in a fashion which recognizes best practice from a health, safety and environmental perspective. The drilling of the Galveston A133 block is likely to commence in the December, 2010 quarter in joint venture with Peregrine Oil & Gas II, LLC.
- The raising of \$11.8 million from a placement and option exercise in December, 2009 and a further placement in September, 2010 of a net \$7.6 million (\$3.6 million of which is subject to shareholder approval) to continue your Company's exploration and development activities.
- The appointment of Michael Verm as US Country Manager with the establishment of the US operatorship of the Slater Dome Field.

While revenues were substantially reduced in the 2010 year, primarily due to lower US gas prices, the High Island well continued to produce consistently. However, the Company's interest in the ATP 269 field in Queensland performed erratically during the year, hence its contribution to oil revenue was markedly reduced.

The executive appointments made in December, 2008 have now progressed to the point that you will have seen the recent announcement that Trent Spry has succeeded Russell Brimage as Chief Executive Officer and Managing Director of Entek. Russell has been CEO since 2005 and has steered your Company to the current level of activity, with a number of high quality assets at varying stages of exploration and development. On behalf of your Board and shareholders I would like to thank him for his untiring efforts. We will have the benefit of retaining him as Director of Operations to Entek and look forward to Trent utilizing his international experience in finding oil and gas to drive your Company in the future.

In summary I am writing to you with considerable optimism as to the future of your Company. While the recent results in the Green River Basin have been frustrating in terms of well flow, the primary objective of finding hydrocarbons has been achieved and your technical team is confident that the well flow issues will be shortly resolved. The interest in the Green River Basin has increased considerably over the past year and your Company is well placed to capitalize on future successes both here and in the Gulf of Mexico.

On behalf of the Board of Entek I would like to thank shareholders for their continued support, trust and patience. To our employees, consultants and partners we also extend our gratitude and appreciation.

Craig McGown
Chairman



CHIEF EXECUTIVE OFFICERS' REPORT

I am pleased to present my first CEO Report since assuming the role from Russell Brimage. Russell with great effort has brought the Company to this current point, with the Company holding high quality assets at varying stages of exploration and development, strategically focused on the Green River Basin (onshore) and shallow water Gulf of Mexico (offshore), providing a highly complementary set of diverse opportunities. The Company is in a position to convert these assets into revenue and growth for shareholders over the next twelve months. I am grateful for the well thought out and seamless succession plan that Russell initiated and I look forward to working together with the core management group, of which Russell will remain a part and the Board to drive the Company forward.

I am excited about the future of the Company. Although the year in review has been a challenging one for Entek, I believe the Company is in a great position to realise value from its onshore and offshore assets, as well as from the people and partners that we are involved with. Below I briefly summarise the challenges the Company faced throughout the year before going into more detail specific to the Green River Basin (GRB) and the Gulf of Mexico (GoM).

In the GoM the BP incident (Deepwater Horizon rig explosion) has brought the highly prolific basin negative attention and a period of uncertainty. On a positive for the Company during this period, the PN 975 A-11 well was successfully drilled and put on production and the GA A133 well, which was planned to be drilled mid 2010, has only suffered minimal delay with approval to drill now granted. The well is expected to spud in the December, 2010 quarter.

In the GRB the late transfer of operatorship at the onset of the summer operations season led to some delays in permitting and securing equipment. The high level of excitement in the shale plays, including the Niobrara, and related high level of activity has made accessing equipment and crews challenging. On a positive note the value of the Company's onshore acreage has increased dramatically from an entry equivalent of around \$40 per acre to over \$450 per acre seen at recent lease auctions. This increase in value is related to the prospectivity of the oil prone Niobrara play and is expected to increase dramatically again over coming months. In the related Denver Julesburg(DJ) Basin acreage sales and auctions have seen prices between \$2,500 to \$4,000 per acre for Niobrara associated acreage.

Green River Basin

The "explosion" of interest in unconventional shale plays has led to a significant refocus of onshore activity as oil companies, both large and small, aggressively tie up acreage. These shales, including and most recently the Niobrara, have become common hot topics of discussion within both oil companies and the investment community. Recent activity includes 'Majors' such as Chesapeake, EOG, Shell, Marathon and Noble acquiring acreage through acquisition of smaller companies with significant acreage holdings.

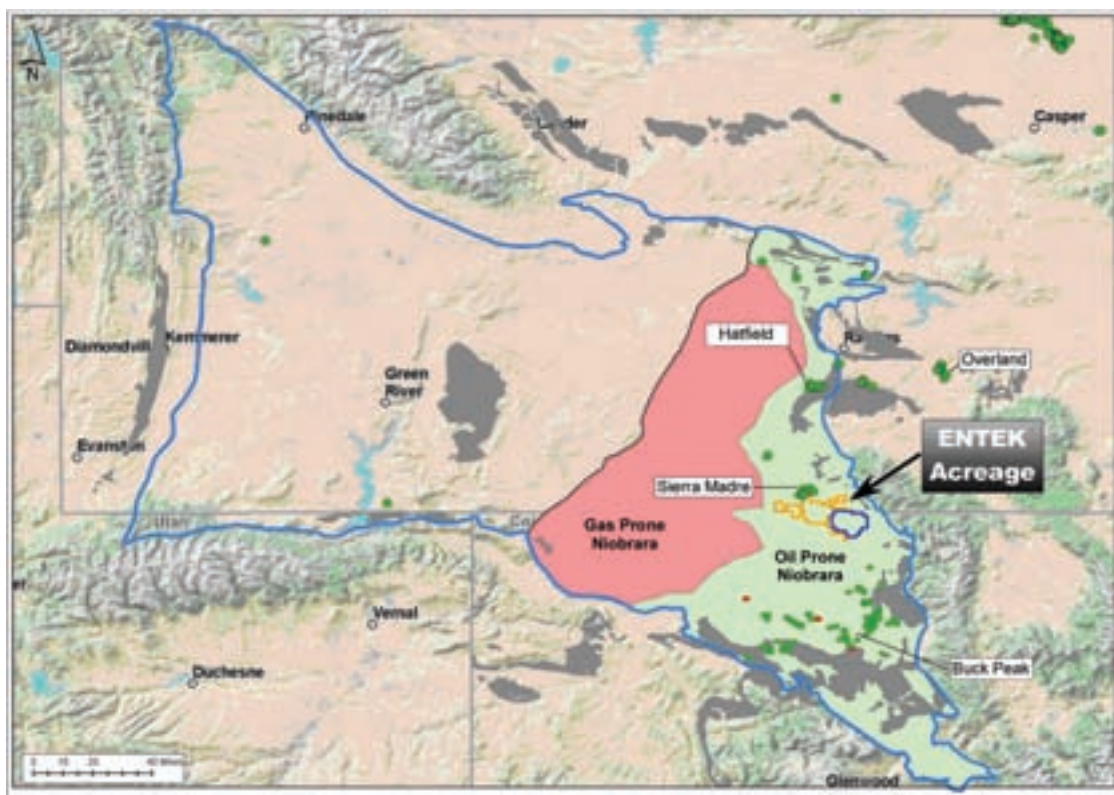
On August 13, 2009 Entek announced it had entered into a farm-in to earn up to a 55% working interest from New Frontier Energy Inc. (NFEI) in some 66,000 acres within the Green River Basin (see Location Map below), by expending up to US\$12.5 million on work programs. The farm-in is structured over a three year term, but can be accelerated at Entek's discretion. Entek assumed operatorship in the June, 2010 quarter after accelerating the work programs and passing the second year expenditure hurdle.

The area labelled Oil Prone Niobrara in the location map below is what the US Geological Survey (USGS) classifies as the "Niobrara Continuous Oil Assessment Unit". The following is extracted from the Petroleum Systems and Geologic Assessment of Oil and Gas in the Southwestern Wyoming Province, Wyoming, Colorado, and Utah by the USGS Southwestern Wyoming Province Assessment Team:

CHIEF EXECUTIVE OFFICERS' REPORT

The Niobrara Continuous Oil Assessment Unit is lightly explored with the first oil discovery at Tow Creek in 1924. Since then, 337 wells have penetrated the Niobrara section, with approximately 150 producing from the Niobrara. Due to the under-pressured nature of the Niobrara reservoirs, it is suggested that many potential producers were bypassed because conventional drilling muds may have caused formation damage or masked shows in the Niobrara. Potential for future discoveries would most likely be “sweet spots” formed by fractures associated with compressional features, including faults, anticlinal and synclinal trends, regional lineament features, and faulting.

Entek is securing a significant exposure to some of the highest potential Niobrara formation within the USGS delineated Niobrara Continuous Oil Assessment Unit.



Location Map - Green River Basin (blue outline)

Since assuming Operatorship in the June, 2010 quarter:

- Both the Robidoux 13-15T and the Battle Mountain 14-15 wells, drilled in late 2009 (prior to Entek taking over Operatorship), encountered hydrocarbons. Both wells suffered reservoir damage and have thus not been capable of producing to their full potential. Entek plans to remedy this by sidetracking and drilling a new Niobrara section in next season's operations.
- Butter Lake 32-10 well was successfully drilled under Entek's Operatorship and it has delivered excellent technical results (the best achieved so far in the acreage), that are being evaluated with respect to the planning of horizontal wells, as well as for further refinement of the drilling and completion techniques employed in the Niobrara. This well has produced oil and gas and is being evaluated as a commercial producer.
- Entek is continuing to enhance coal seam gas production at the Slater Dome Field after the producing wells had fallen into disrepair under the previous operator. Gas production levels are now increasing to a level expected to cover lease operating expenses and overhead costs associated with the Company's Denver office.



CHIEF EXECUTIVE OFFICERS' REPORT

- Three well workovers on Robidoux 13-15, Robidoux 13-12-89 #1 and Robidoux 23-13 carried out in July, 2010 have contributed to gas production rising from approximately 100 MCFD in June, 2010 to 500 MCFD currently. Further workovers are being planned.
- Entek has carried out significant infrastructure and operational upgrades, which whilst not adding to production, have resulted in, and will continue to deliver increased up-time and a safer and more efficient production operation. Further infrastructure upgrades and modifications are being planned and implemented as opportunities arise.

Entek has now characterised the Niobrara potential across its acreage with the results of the Focus Ranch 12-1, Focus Ranch 3-1, Battle Mountain 14-15A and Robidoux 13-15T wells. The Company is currently working on its 2011 Development Plan based on the results of these wells.

Gulf of Mexico

In late April 2010 Entek participated in the drilling of North Padre Block 975 (PN 975) well number A-11. This successful well was drilled as a sidetrack from a suspended well on an existing platform. The well, commenced commercial production on June 8, 2010. Apart from minor disruptions due to weather and maintenance, production is being maintained at above 4 MMCFD, in line with initial projections. The Company has a 25% Working Interest (WI) in the PN 975 A-11 well.

At the MMS Central Lease Sale 213 which closed on March 17, 2010, Entek and its co-bidder Peregrine Oil & Gas II, LLC were high bidders on two adjacent blocks – Vermilion Block 341 (VR 341) and Vermilion Block 342 (VR 342) in the Vermilion Area, South Addition. Both blocks were subsequently awarded to Entek and its co-bidder on July 1, 2010 for a 5 year term. Each block is 5,000 acres.

VR 342 has a number of wells drilled on the block. These wells have discovered approximately 1.2 MMBO and 3.0 BCF of natural gas. The structure extends into the Vermilion 341 Block. Upside exploration potential on both blocks has been estimated at 4.0 MMBO and 6.0 BCF of natural gas.

Entek now has a significant portfolio of acreage in the Gulf of Mexico (see Location Map below):

- Two producing assets: HI-24L block and PN-975.
- A ready to drill prospect: GA-A133 (Entek WI 38%) due to spud December, 2010 quarter.
- VR-341 and VR-342, in which the operator Peregrine Oil & Gas II is conducting preparations for possible drilling in early 2011 (Entek working interest 50%).
- MP-252, in which Entek is evaluating a farm-in offer (Entek current working interest 100%).
- GA-212, GA-213 and WC-517 (Entek working interest 100%), in which the Company is carrying out further geo-science and engineering studies prior to seeking farminees.

CHIEF EXECUTIVE OFFICERS' REPORT



Location Map – Gulf of Mexico

The Company's production revenue is predominantly derived from U.S. Gulf of Mexico gas sales, in a natural gas market that has been impacted by historically low gas prices.

In the Gulf of Mexico, the Deepwater Horizon rig explosion on April 20, 2010 was the largest accidental marine oil spill in the history of the petroleum industry. On July 15, 2010, the leak was finally stopped, but not before it had caused significant impact to Gulf of Mexico offshore drilling activity.

Importantly, there was no disruption to production from the Company's High Island Block HI-24L in Texas State waters, which continues to produce gas and condensate in line with forecast projections. Since commencement of production in October 2007, Entek has derived net revenue in excess of US\$10 million, and with some 60% or reserves remaining, can look forward to many more years of ongoing revenue.

The drilling of Galveston Block GA-A133 which was originally scheduled to follow the successful drilling of North Padre Block PN-975 has only suffered minimal delay with approval to drill now granted. The well is expected to spud in the December, 2010 quarter.

Despite the regrettable BP incident, Entek remains committed to the Gulf of Mexico and to creating a dynamic portfolio of growth assets. The shallow waters of the Gulf of Mexico offer companies like Entek an "engine room" to generate significant cash flow and reserves growth through incremental exploitation of relatively low risk oil and gas opportunities.

The Gulf of Mexico area, is one of the most important regions for energy resources and infrastructure. Gulf of Mexico offshore oil production accounts for 30 percent of total U.S. crude oil production and offshore natural gas production in the Gulf accounts for 13 percent of total U.S. production. Over 40 percent of total U.S. petroleum refining capacity is located along the Gulf coast, as well as almost 30 percent of total U.S. natural gas processing plant capacity.



CHIEF EXECUTIVE OFFICERS' REPORT

Onshore Australia

The 28.15% working interest in SW Queensland Block ATP-269P continues to deliver production. Currently, with all three wells on stream, gross crude oil production is approximately 1,000 BOPM, with production net to Entek of approximately 280 BOPM.

A 3D seismic program is scheduled to commence in November 2010 and will likely, following interpretation, delineate a further drilling location to be drilled in 2011.

The Future

Entek has assembled a portfolio of assets in both the booming oil prone Niobrara onshore shale play and the offshore shallow waters of the Gulf of Mexico. These two areas of focus for the Company are highly complementary assets, each offering potential to deliver significant reserves growth and revenue to the Company as they are developed.

The challenge confronting the Board of Directors and Management is to maximise the value of the assets by unlocking their significant potential in a timely and cost efficient way.

The U.S. is the largest consumer of energy globally and this will ensure strong demand into the future for both natural gas and crude oil. The current weak natural gas price is driving oil and gas companies to focus more on development of crude oil opportunities. Entek is well positioned with its oil prone Niobrara acreage in the Green River Basin and the newly awarded Vermillion Blocks 341 and 342 in the Gulf of Mexico, to gain full exposure to the relative ascendancy of oil prices. The Company is poised to develop its significant gas reserves both onshore and offshore as gas prices inevitably rise.

The Board of Directors and Management are excited about the opportunities and challenges in 2011 and look forward to updating shareholders as the strategy, work program and development plans unfold.

Trent B Spry
Chief Executive Officer

Nomenclature

BCF	Billions of cubic feet (of natural gas)
BOPM	Barrels of oil per month
MCFD	Thousand cubic feet of gas per day
MMBO	Barrels of oil multiplied by 1,000,000
MMCF	Cubic feet of gas multiplied by 1,000,000
MMCFD	Million cubic feet of gas per day



DIRECTOR'S REPORT

The directors of Entek Energy Limited A.C.N. 108 403 425 ("Parent Entity" or "Company") present their report including the consolidated annual report of the Company and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30 June 2010. 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 period unless otherwise stated.

Craig Ian McGown
Russell Ernest Brimage
Ian Richard Sandover (resigned 31 December 2009)
David Anthony Craig
Andrew John Padman

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$1,546,800.

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 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

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

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

On 15 September 2010, the Company advised it had reached agreement to raise \$7,637,500 (net of fees) through the placement of up to 62.5million shares at 13 cents per share, primarily to sophisticated and institutional investors. The funds raised will be used primarily to fund the development and exploration of the Company's oil and gas projects including Green River Basin farm-in exploration and development wells and workovers; and the drilling and subsequent development work associated with the Galveston Block GA-A133 well in the Gulf of Mexico.

The placement will be completed in two Tranches. Tranche 1 comprising up to 33.5 million shares will be allotted immediately upon clearance of funds pursuant to Entek's 15% placement capacity.

DIRECTOR'S REPORT

Tranche 2 comprising up to 29 million shares will be issued subject to the receipt of approval at a General Meeting of shareholders scheduled for 22 October 2010.

No other 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 other than the above placement of shares.

LIKELY DEVELOPMENTS

The directors intend to actively pursue the exploration and development of the oil and gas leases in Australia and in the United States in which it has an interest.

ENVIRONMENTAL ISSUES

The Company is liable for its share of the cost of abandonment of its High Island 24L project in the Gulf of Mexico. It has made a provision of US\$100,000 (AUD \$117,330) in the accounts, however it is expected to fully recover this cost upon the sale of the production facilities.

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.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

CRAIG IAN MCGOWN

CHAIRMAN (NON-EXECUTIVE)

Qualifications:

Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia.

Experience:

He is currently an Executive Director of Resource Investment Capital Advisors Pty Ltd which provides corporate advisory services to the resource sector. Mr McGown is formerly the Executive Chairman of DJ Carmichael Pty Limited and an Executive Director of Resource Finance Corporation Limited.

He is a Non-Executive Chairman of Pioneer Resources Limited, Non-Executive Director of Bass Metals Ltd and Peel Exploration Limited.

Mr McGown brings to the Board a comprehensive knowledge of the equity and debt markets and financing of projects in relation to resource companies.

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

Non-Executive Director of Pioneer Nickel Limited from 13 June 2008, Non-Executive Director of Peel Exploration Limited from 1 February 2008 and Non-Executive Director of Bass Metals Ltd from 7 July 2004.

Special Responsibilities:

Chairman of Directors
Member of Audit Committee

DIRECTOR'S REPORT

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

400,000 ordinary shares, 625,000 options exercisable at 25 cents and expiring on 29 June 2011 and 625,000 options exercisable at 35 cents and expiring on 30 June 2011.

Directors' meetings attended: 18 (eligible to attend 18).

RUSSELL ERNEST BRIMAGE

DIRECTOR AND CHIEF EXECUTIVE OFFICER

Qualifications and Experience:

Mr. Brimage has in excess of 30 years experience in the upstream oil and gas industry. Mr. Brimage is currently a Non-Executive Director of Lion Energy Limited.

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

Non-Executive Director of Lion Energy Limited since 10 August 2005.

Special Responsibilities:

Executive Chairman until 18 July 2008. Chief Executive Officer from 18 July 2008.
Member of Audit Committee.

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

6,370,488 ordinary shares.

Directors' meetings attended: 18 (eligible to attend 18).

DAVID ANTHONY CRAIG

DIRECTOR (NON-EXECUTIVE)

Qualifications:

Bachelor of Jurisprudence (Honours) and Bachelor of Laws (Honours) from the University of Western Australia; Master of Laws from the University of London; Graduate Diploma in Applied Finance and Investment from the Financial Services Institute of Australasia; Member of the Australian Institute of Company Directors.

Experience:

Mr Craig is an experienced businessman and lawyer, who has held Executive and Board positions in the fields of law, financial services and the resources industry. As a Partner of a major Perth law firm he specialised in resources and commercial legal advice, which included work on resources joint ventures, the acquisition and disposal of interests in companies and projects, and capital raisings by companies. This was followed by ten years in the financial services industry as a Stockbroker and an Executive Director in a national stockbroking company. Mr Craig then spent five years working with Woodside Petroleum Ltd in an Executive position in the field of public and government affairs. He brings to the Board expertise in the law, financial markets, stakeholder engagement, relationship management, strategic planning and risk management.

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

Non-Executive Director of United Minerals Corporation NL from 5 May 2008 to 18 February 2010, Non-Executive Director of ADG Global Supply Limited from 4 June 2008 to 31 July 2010, Non-Executive Director of Southern Hemisphere Mining Limited from 2 December 2009 and Non-Executive Chairman of Moly Mines Limited from 19 May 2009.

Special Responsibilities:

Chairman of Audit Committee

DIRECTOR'S REPORT

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

150,000 ordinary shares, 500,000 options exercisable at 25 cents and expiring on 29 June 2011 and 500,000 options exercisable at 35 cents and expiring on 30 June 2011.

Directors' meetings attended: 17 (eligible to attend 18).

ANDREW JOHN PADMAN

DIRECTOR (NON-EXECUTIVE)

Qualifications:

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

Experience:

Mr Padman has over 32 years experience in the upstream petroleum E & P industry, working on new ventures, exploration and exploitation projects in the sedimentary basins of South East Asia and the United Kingdom (North Sea) and most of the basins of Australia and New Zealand, with experience in the Gulf Coast of the United States.

Since returning to Australia in 1992 after 11 years working internationally, Mr Padman was employed by Woodside Petroleum Ltd as a geophysical technical specialist. From 1996 to early 2008, Mr Padman served as Exploration Manager to Discovery Petroleum, Premier Oil Australia, Gulf Australia, Newfield Australia and ARC Energy, gaining extensive experience in exploration strategies, portfolio management and business development, particularly across the South East Asian region.

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

None.

Special Responsibilities: N/A.

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

590,000 ordinary shares, 500,000 options exercisable at 25 cents and expiring on 29 June 2011 and 500,000 options exercisable at 35 cents and expiring on 30 June 2011

Directors' meetings attended: 17 (eligible to attend 18).

IAN RICHARD SANDOVER

DIRECTOR (NON-EXECUTIVE)

RESIGNED: 31 DECEMBER 2009

Qualifications:

Bachelor of Business Degree (with majors in Management and Accounting) from Curtin University in Western Australia.

Experience:

Mr Sandover has participated in a broad range of business and corporate advisory projects for a diverse range of companies over the past 25 years, including the banking, mining and corporate finance industries in Australia and overseas. He is experienced particularly in the treasury and financial markets sectors including financial feasibility studies for the provision of debt or equity for project funding.

DIRECTOR'S REPORT

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

Non-Executive Director of Pan Asia Corporation Limited (formerly) Sam's Seafood Holdings Limited from 9 December 2008 to 4 March 2010.

Special Responsibilities: N/A.

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

4,700,000 ordinary shares

Directors' meetings attended: 11 (eligible to attend 12).

ANDREW JAMES GASTEVICH
COMPANY SECRETARY

Qualifications

Bachelor of Business and Post Graduate Diploma in Accounting from Curtin University in Western Australia, an Associate of the Institute of Chartered Accountants in Australia, and a Fellow of the Taxation Institute of Australia.

Experience

Mr Gastevich is a Chartered Accountant with over 20 years experience. He worked with a big four Chartered Accounting firm for 8 years before forming his own Chartered Accounting practice and operating that also for a period of 8 years. He worked at Australia's largest privately owned iron ore mining company before becoming the Chief Financial Officer/Chief Operating Officer/Company Secretary for a national company involved in the provision of professional services to both business and government. He is a Non-Executive Director of Avonlea Minerals Limited.

DIRECTORS' MEETINGS

During the year ended 30th June 2010, 18 meetings of directors were held.

REMUNERATION REPORT (AUDITED)

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. The Company has an agreement with a company controlled by Mr Russell Brimage, an executive director of the Company, for provision of his services as an executive director. The agreement is for an indefinite period from 1 December 2008 and provides for remuneration of \$25,000 per month, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice (plus an additional month for each full year of continuous service since the commencement date) in the event it is terminated. Aside from this benefit there are no termination benefits specified in this agreement.

The Company has an agreement with a company controlled by Mr Craig McGown, Chairman of the Company, for provision of his services as a non-executive chairman. The term of the agreement commenced on 18 July 2008 and in accordance with the Company's Constitution, cannot hold office for more than 3 years without retiring, but will be eligible to be re-elected. He is paid \$7,083 per month, as well as costs relating to performance of duties as a director. There is no termination notice period or termination benefit specified in this agreement.

DIRECTOR'S REPORT

The Company has an agreement with Mr David Craig, a director of the Company for provision of his services as a non-executive director. The term of the agreement commenced on 18 July 2008 and in accordance with the Company's Constitution, he cannot hold office for more than 3 years without retiring, but will be eligible for re-election. He is 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.

The Company has an agreement with a company controlled by Mr Andrew Padman, a director of the Company for provision of his services as a non-executive director. The term of the agreement commenced on 1 September 2008 and in accordance with the Company's Constitution, he cannot hold office for more than 3 years without retiring, but will be eligible for re-election. He is 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.

The Company has an agreement with a company controlled by Mr Trent Spry, the general manager of the Company for provision of his services. The agreement is for a period from 15 December 2008 to 30 June 2010, extended mutual consent for an indefinite term, provides for remuneration of \$22,917 per month, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice period in the event it is terminated. There are no other termination benefits specified in this agreement.

The Company has an agreement with a company controlled by Mr Andrew Gastevich, the Company Secretary and Chief Financial Officer of the Company for provision of his services. The agreement is for an unspecified period from 1 December 2008 and provides for remuneration of \$15,500 per month plus superannuation as required by law, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice period in certain circumstances in the event it is terminated. There are no other termination benefits specified in this agreement.

The Company has an agreement with Mr Michael Verm, the US Country Manager of the Company for provision of his services. The agreement is for an unspecified period from 1 February 2010 and provides for remuneration of US\$16,667 per month, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice period in the event it is terminated. There are no other termination benefits specified in this agreement.

The Company pays Mr David Christian an hourly rate and reimburses him for business related expenses.

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

Russell Brimage	Executive Director & Chief Executive Officer:
Craig McGown	Non-Executive Chairman
Ian Sandover	Non-Executive Director – To 31 December 2009
David Craig	Non-Executive Director
Andrew Padman	Non-Executive Director

EXECUTIVES

Andrew Gastevich	Company Secretary
Trent Spry	General Manager
David Christian	Director of Entek USA Inc from 29 September 2008
Michael Verm	US Country Manager from 1 February 2010

DIRECTOR'S REPORT

	Salary and Fees \$	Total Remuneration 2010		Total \$
		Annual Leave \$	Super- annuation \$	
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Russell Brimage	300,000	-	-	300,000
Ian Sandover	27,250	-	-	27,250
Craig McGown	85,000	-	-	85,000
David Craig	50,000	-	4,500	54,500
Andrew Padman	54,500	-	-	54,500
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	516,750	-	4,500	521,250

	Salary and Fees \$	Total Remuneration 2010		Total \$
		Annual Leave \$	Super- annuation \$	
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS				
Andrew Gastevich	175,396	20,519	15,786	211,701
Trent Spry	263,563	-	-	263,563
David Christian	191,340	-	-	191,340
Michael Verm	94,280	-	-	94,280
TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES	724,579	20,519	15,786	760,884

	Equity Remuneration 2010		
	Shares \$	Options \$	Total \$
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Russell Brimage	-	-	-
Ian Sandover	-	-	-
Craig McGown	-	-	-
David Craig	-	-	-
Andrew Padman	-	-	-
TOTAL EQUITY REMUNERATION FOR SPECIFIED DIRECTORS	-	-	-

There were no options granted or vested to directors during the year ending 30 June 2010.

DIRECTOR'S REPORT

	Equity Remuneration 2010		
	Shares	Options	Total
	\$	\$	\$
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Andrew Gastevich	-	7,420	7,420
Trent Spry	-	25,010	25,010
David Christian	-	80,270	80,270
Michael Verm	-	80,270	80,270
TOTAL EQUITY REMUNERATION FOR SPECIFIED EXECUTIVES	-	192,970	192,970

On 5 August 2009, the Company issued the following employee options:

- 1,250,000 free options exercisable immediately at 25 cents each and expiring on 31 October 2013.
- 1,250,000 free options which vest and become exercisable on 31 October 2009 at 35 cents each and expiring on 31 October 2013.
- 1,250,000 free options which vest and become exercisable on 31 October 2010 at 50 cents each and expiring on 31 October 2013.
- 1,250,000 free options which vest and become exercisable on 31 October 2011 at 50 cents each and expiring on 31 October 2013.

These options were granted in December 2008 upon execution of employment contracts. The issue of these options was approved at a meeting of directors on 5 August 2009.

The executives' 25 cent options were valued on the date of issue at 3.0 cents each for Trent Spry and 3.17 cents each for Andrew Gastevich using the Black & Scholes method and based on the then price of the ordinary shares of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and a volatility factor of 85%.

The executives' 35 cent options were valued on the date of issue at 2.25 cents each for Trent Spry and 2.73 cents each for Andrew Gastevich using the Black & Scholes method and based on the then price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and a volatility factor of 85%.

The executives' 50 cent options were valued on the date of issue at 1.86 cents each for Trent Spry and 2.28 cents each for Andrew Gastevich using the Black & Scholes method and based on the then price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and a volatility factor of 85%.

On 29 April 2010, the Company issued the following employee options:

- 1,500,000 free options exercisable immediately at 35 cents each and expiring on 31 January 2012.
- 1,500,000 free options which vest and become exercisable on 31 January 2011 at 50 cents each and expiring on 31 January 2013.
- 1,500,000 free options which vest and become exercisable on 31 January 2012 at 70 cents each and expiring on 31 January 2014.

The issue of these options was approved at the General Meeting of shareholders held on 29 April 2010.

The executives' 35 cent options were valued on the date of issue at 7.8 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.225, a risk free interest rate of 4.98% and a volatility factor of 88.71%.

The executives' 50 cent options were valued on the date of issue at 8.7 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.225, a risk free interest rate of 5.27% and a volatility factor of 88.71%.

The executives' 70 cent options were valued on the date of issue at 9.5 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.225, a risk free interest rate of 5.53% and a volatility factor of 88.71%.

The primary purpose for the issue of the options to directors and executives is designed to encourage the performance of the directors and executives.

DIRECTOR'S REPORT

On 10 March 2010 the Company granted 3,000,000 options to a third party but have not as yet been issued as they are subject to meet certain pre requisite conditions. Details of the options are as follows:

- 1 million options exercisable at 35 cents each that vest when ordinary shares in the company trade at 35 cents or above for not less than 10 consecutive trading days within 12 months of grant date.
- 1 million options exercisable at 50 cents each that vest when ordinary shares in the company trade at 50 cents or above for not less than 10 consecutive days within 12 months of grant date.
- 1 million options exercisable at 70 cents each that vest when ordinary shares in the company trade at 70 cents or above for not less than 10 consecutive trading days within 18 months of grant date.

The 35 cent options were valued on the date of issue at 4.9 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.205, a risk free interest rate of 5.13% and a volatility factor of 91.16%.

The 50 cent options were valued on the date of issue at 2.1 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.205, a risk free interest rate of 5.13% and a volatility factor of 91.16%.

The 70 cent options were valued on the date of issue at 0.7 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.205, a risk free interest rate of 5.13% and a volatility factor of 91.16%.

	Primary Remuneration \$	Total Remuneration 2010 Equity Remuneration \$	Total \$	Equity Remuneration % of Total
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Russell Brimage	300,000	-	300,000	-
Ian Sandover	27,250	-	27,250	-
Craig McGown	85,000	-	85,000	-
David Craig	54,500	-	54,500	-
Andrew Padman	54,500	-	54,500	-
TOTAL REMUNERATION FOR SPECIFIED DIRECTORS	521,250	-	521,250	-
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Andrew Gastevich	211,701	7,420	219,121	3%
Trent Spry	263,563	25,010	288,573	9%
David Christian	191,340	80,270	271,610	30%
Michael Vern	94,280	80,270	174,550	46%
TOTAL REMUNERATION FOR SPECIFIED EXECUTIVES	760,884	192,970	953,854	20%

In addition, during the financial year, the Company paid premiums for Directors and Officers liability insurance of \$29,315 (2009 \$ 30,936).

DIRECTOR'S REPORT

	Salary and Fees \$	Total Remuneration 2009 Annual Leave \$	Super- annuation \$	Total \$
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Russell Brimage	258,332	-	-	258,332
Paul Garner	63,400	-	-	63,400
Ian Sandover	53,725	-	-	53,725
Craig McGown	83,278	-	-	83,278
David Craig	47,751	-	4,298	52,049
Andrew Padman	45,417	-	-	45,417
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	551,903	-	4,298	556,201

	Salary and Fees \$	Total Remuneration 2009 Annual Leave \$	Super- annuation \$	Total \$
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS				
Jack Toby	67,000	-	-	67,000
Scott Wentz	1,806	-	-	1,806
Andrew Gastevich	93,654	3,110	8,429	105,193
Trent Spry	135,617	-	-	135,617
David Christian	163,699	-	-	163,699
TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES	461,776	3,110	8,429	473,315

	Shares \$	Equity Remuneration 2009 Options \$	Total \$
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Russell Brimage	-	-	-
Paul Garner	-	-	-
Ian Sandover	-	-	-
Craig McGown	-	30,356	30,356
David Craig	-	24,284	24,284
Andrew Padman	-	24,284	24,284
TOTAL EQUITY REMUNERATION FOR SPECIFIED DIRECTORS	-	78,924	78,924

DIRECTOR'S REPORT

	Equity Remuneration 2009		
	Shares	Options	Total
	\$	\$	\$
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Jack Toby	-	-	-
Scott Wentz	-	-	-
Andrew Gastevich	-	15,103	15,103
Trent Spry	-	49,087	49,087
David Christian	-	-	-
TOTAL EQUITY REMUNERATION FOR SPECIFIED EXECUTIVES	-	64,190	64,190

On 14 November 2008, the Company issued 625,000 free options exercisable at 25 cents each and expiring on 29 June 2011, and 625,000 free options exercisable at 35 cents each and expiring on 30 June 2011 to a nominee of Mr Craig McGown, a director of the Company. The issue of these options was approved at the Annual General Meeting of shareholders held on 14 November 2008.

On 14 November 2008, the Company issued 500,000 free options exercisable at 25 cents each and expiring on 29 June 2011, and 500,000 free options exercisable at 35 cents each and expiring on 30 June 2011 to a nominee of Mr David Craig, a director of the Company. The issue of these options was approved at the Annual General Meeting of shareholders held on 14 November 2008.

On 14 November 2008, the Company issued 500,000 free options exercisable at 25 cents each and expiring on 29 June 2011, and 500,000 free options exercisable at 35 cents each and expiring on 30 June 2011 to a nominee of Mr Andrew Padman, a director of the Company. The issue of these options was approved at the Annual General Meeting of shareholders held on 14 November 2008.

	Total Remuneration 2009			Equity Remuneration % of Total
	Primary Remuneration \$	Equity Remuneration \$	Total \$	
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Russell Brimage	258,332	-	258,332	-
Paul Garner	63,400	-	63,400	-
Ian Sandover	53,725	-	53,725	-
Craig McGown	83,278	30,356	113,634	27%
David Craig	52,049	24,284	76,333	32%
Andrew Padman	45,417	24,284	69,701	35%
TOTAL REMUNERATION FOR SPECIFIED DIRECTORS	556,201	78,924	635,125	12%
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Jack Toby	67,000	-	67,000	-
Scott Wentz	1,806	-	1,806	-
Andrew Gastevich	105,193	15,103	120,296	13%
Trent Spry	135,617	49,087	184,704	27%
David Christian	163,699	-	163,699	-
TOTAL REMUNERATION FOR SPECIFIED EXECUTIVES	473,315	64,190	537,505	12%

DIRECTOR'S REPORT

EQUITY INSTRUMENTS

Analysis of Options and Rights Over Equity Instruments Granted as Compensation

Details of vesting profiles of the options granted as remuneration to each key management personnel of the Group are detailed below.

Directors	Number	Date	Options Granted		Financial Years in Which Grant Vests
			% Vested in Year	% Forfeited in Year	
Russell Brimage	2,528,311	28-Nov-06	100%	86%	30 th June 2007
Ian Sandover	2,000,000	28-Nov-06	100%	0	30 th June 2007
Craig McGown	625,000	14-Nov-08	100%	0	30 th June 2009
	625,000	14-Nov-08	100%	0	30 th June 2009
David Craig	500,000	14-Nov-08	100%	0	30 th June 2009
	500,000	14-Nov-08	100%	0	30 th June 2009
Andrew Padman	500,000	14-Nov-08	100%	0	30 th June 2009
	500,000	14-Nov-08	100%	0	30 th June 2009
Executives					
Andrew Gastevich	250,000	01-Dec-08	100%	0	30 th June 2009
	250,000	01-Dec-08	100%	0	30 th June 2010
	250,000	01-Dec-08	0	0	30 th June 2011
	250,000	01-Dec-08	0	0	30 th June 2012
Trent Spry	1,000,000	01-Dec-08	100%	0	30 th June 2009
	1,000,000	01-Dec-08	100%	0	30 th June 2010
	1,000,000	01-Dec-08	0	0	30 th June 2011
	1,000,000	01-Dec-08	0	0	30 th June 2012
David Christian	750,000	29-Apr-10	100%	0	30 th June 2010
	750,000	29-Apr-10	0	0	30 th June 2011
	750,000	29-Apr-10	0	0	30 th June 2012
Michael Verm	750,000	29-Apr-10	100%	0	30 th June 2010
	750,000	29-Apr-10	0	0	30 th June 2011
	750,000	29-Apr-10	0	0	30 th June 2012

Analysis of Movements in Options

The movements during the reporting period, by value, of options over ordinary shares in the Company held by each key management personnel of the Group are detailed below.

DIRECTOR'S REPORT

	Granted in Year \$	Value of Options Exercised in Year \$	Lapsed in Year \$
Directors			
Russell Brimage	0	8,944	362,801
Ian Sandover	0	50,000	0
Craig McGown	0	0	0
David Craig	0	0	0
Andrew Padman	0	0	0
Executives			
Andrew Gastevich	0	0	0
Trent Spry	0	0	0
David Christian	194,969	0	0
Michael Verm	194,969	0	0

SHARE OPTIONS ISSUED

Details of options issued on 5 August 2009 and 29 April 2010 are set out on page 9 of this Annual Report.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

SHARE OPTIONS OUTSTANDING

During the year ended 30 June 2010, 300,000 ordinary shares were issued for 12.9 cents per share by virtue of the exercise of 300,000 options expiring 30 December 2009 and 34,067,517 ordinary shares were issued for 20 cents per share by virtue of the exercise of 34,067,517 options expiring 31 December 2009.

DIRECTOR'S REPORT

Options to subscribe for unissued fully paid ordinary shares in the Company at the date of this report:

Status	Number	Exercise Price \$	Expiry Date
Non-Listed	1,625,000	0.25	29/06/2011
Non-Listed	1,625,000	0.35	30/06/2011
Non-Listed	1,500,000	0.35	31/01/2012
Non-Listed	1,500,000	0.50	31/01/2013
Non-Listed	1,250,000	0.25	31/10/2013
Non-Listed	1,250,000	0.35	31/10/2013
Non-Listed	2,500,000	0.50	31/10/2013
Non-Listed	1,500,000	0.70	31/01/2014
12,750,000			

In addition, 3,000,000 options have been granted to a third party but have not been issued as they are subject to meeting certain pre-requisite conditions.

No person entitled to exercise any of these options had or has any right by virtue of the option to participate in any share issue of any other body corporate.

INDEMNIFYING AND INSURING DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of \$29,315. 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.

CORPORATE GOVERNANCE

The Board of Directors of the Company is responsible for the corporate governance of the Consolidated Entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company's Corporate Governance Policies are structured with reference to the ASX Corporate Governance Council's principles and recommendations, which are as follows:

- Principle 1** Lay solid foundations for management and oversight
- Principle 2.** Structure the board to add value
- Principle 3.** Promote ethical and responsible decision making
- Principle 4** Safeguard integrity in financial reporting
- Principle 5.** Make timely and balanced disclosure
- Principle 6.** Respect the rights of shareholders
- Principle 7.** Recognise and manage risk
- Principle 8.** Remunerate fairly and responsibly

DIRECTOR'S REPORT

The Company's corporate governance policies were in place by the year ended 30 June 2009 and were mainly consistent with the ASX Corporate Governance Council's best practice recommendations.

Any director may nominate a person to be considered for appointment as a director of the Company, either as an additional director or as a replacement for a retiring director. Criteria for Board membership rests on the Board's assessment of the capacity of a nominee to contribute to the Company. Membership of the Board of Directors is reviewed on an on-going basis by the Chairman of the Board.

The terms and conditions relating to the appointment and retirement of directors are determined by the Board on an individual basis at the time of appointment of the director and are reviewed by the Chairman on an on-going basis.

Each director of the Company or a controlled entity has the right to seek independent professional advice at the expense of the Company or the controlled entity, however prior approval of the Chairman is required which will not be unreasonably withheld.

The remuneration of executive directors and non-executive directors is reviewed by the Board of directors with the exclusion of the director concerned. The remuneration of other senior executives of the Company is approved by the Chairman. Directors are not remunerated in accordance with the performance of the Company.

The nomination of external auditors and the review of the adequacy of external audit arrangements is the responsibility of the Board of Directors as a whole.

The Board has established the following standing Committee to assist the Board in the execution of its responsibilities:

- the Audit Committee.

Other committees may from time to time be established by the Board in accordance with the Constitution or to deal with matters of special importance.

In particular the Board also recognises the important function traditionally fulfilled by a Nominations Committee and a Remuneration Committee. To this end, although due to the Group's size and operational base, a separately constituted committee of the Board is perceived not to be warranted, nevertheless the Board commits that from time to time (and as necessary) to discretely address the functions traditionally addressed by a Nomination Committee and a Remuneration Committee.

Responsibility for establishing and maintaining effective risk management strategies rests with senior management, accountable to the Chief Executive Officer and the Audit and Risk Management Committee of the Board.

All directors, executives and staff of the Company and of all controlled entities, if any, are required to abide by the legal requirements, the Listing Rules of the Australian Securities Exchange and the highest standards of ethical conduct as recognised in each relevant jurisdiction in which the Company operates and with regard to their personal trading in the securities of the Company including the use of trading windows.

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.

DIRECTOR'S REPORT

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the 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 2010. This declaration has been included in this document.

Other fees charged by the auditors or related entities were tax return preparation costs of \$7,022. The directors are satisfied that the services disclosed did not compromise the auditor's independence.

Signed in accordance with a resolution of the directors.



Russell Brimage
Director and Chief Executive Officer

29 September 2010
Perth, Western Australia

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Entek Energy Limited A.C.N. 108 403 425 ("Company"), I state that:

In the opinion of the directors:

- 1) the financial statements 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 2010 and of the performance for the year ended on that date of the Company and the Consolidated Entity;
- 2) the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a) the financial records of the Company for the financial year 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 Financial Reporting Standards as disclosed in Note 1; and
- 4) in the director's 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.

On behalf of the Board of Directors.



Russell Brimage
Director and Chief Executive Officer

29 September 2010
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Entity	
		2010 \$	2009 \$
Revenue	2	2,178,820	5,699,581
Other income	2	199,093	-
Expenses	2	(3,924,713)	(4,630,423)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(1,546,800)	1,069,158
Income tax	3	-	-
PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX		(1,546,800)	1,069,158
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences		(64,585)	(305,341)
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF INCOME TAX		(1,611,385)	763,817
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE YEAR		(1,611,385)	763,817
COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:			
MEMBERS OF THE PARENT ENTITY:		(1,611,385)	763,817
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	5	(0.79)	0.65
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)	5	(0.79)	0.65

The accompanying notes form part of these financial statements

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

		Consolidated Entity	
	Note	2010 \$	2009 \$
CURRENT ASSETS			
Cash and cash equivalents	15	5,877,978	7,711,811
Trade and other receivables	6	830,072	626,412
Other financial assets	7	-	306,000
TOTAL CURRENT ASSETS		6,708,050	8,644,223
NON-CURRENT ASSETS			
Plant and equipment	8	55,714	38,445
Capitalised exploration expenditure	9	17,623,168	4,409,915
TOTAL NON-CURRENT ASSETS		17,678,882	4,448,360
TOTAL ASSETS		24,386,932	13,092,583
CURRENT LIABILITIES			
Trade and other payables	10	1,886,006	366,714
Provisions	11(a)	21,364	4,221
Borrowings	12	28,197	-
TOTAL CURRENT LIABILITIES		1,935,567	370,935
NON-CURRENT LIABILITIES			
Provisions	11(b)	117,330	123,244
TOTAL NON-CURRENT LIABILITIES		117,330	123,244
TOTAL LIABILITIES		2,052,897	494,179
NET ASSETS		22,334,035	12,598,404
EQUITY			
Issued capital	13	28,433,670	17,357,312
Reserves	14	4,452,523	4,246,450
Accumulated losses	4	(10,552,158)	(9,005,358)
TOTAL EQUITY		22,334,035	12,598,404

The accompanying notes form part of these financial statements

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated Entity	
	Note	2010 \$	2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,188,195	6,549,735
Payments to suppliers & employees		(1,246,411)	(1,594,392)
Interest received		158,358	235,961
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	15	1,100,142	5,191,304
 CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas interests		(11,128,872)	-
Exploration and development		(1,459,982)	(1,779,288)
Production expenditure		(478,998)	-
Purchase of plant and equipment		(33,978)	(23,463)
Sale of investments		505,093	-
NET CASH FROM / (USED IN) INVESTING ACTIVITIES		(12,596,737)	(1,802,751)
 CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues (net of issue expenses)		11,076,358	225,000
NET CASH FROM FINANCING ACTIVITIES		11,076,358	225,000
 NET INCREASE / (DECREASE) IN CASH HELD			
		(420,237)	3,613,553
Net foreign exchange differences		(1,441,793)	72,223
Cash and cash equivalents at beginning of year		7,711,811	4,026,035
CASH AND CASH EQUIVALENTS AT END OF YEAR	15	5,849,781	7,711,811

The accompanying notes form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

CONSOLIDATED ENTITY

**ATTRIBUTABLE TO
MEMBERS OF THE
GROUP**

	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
At 1 JULY 2008	17,132,312	3,949,275	459,402	(10,074,516)	11,466,473
Currency translation	-	-	(305,341)	-	(305,341)
Profit/(loss) for year	-	-	-	1,069,158	1,069,158
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	(305,341)	1,069,158	763,817
Securities issued	225,000	143,114	-	-	368,114
Equity raising costs	-	-	-	-	-
At 30 JUNE 2009	17,357,312	4,092,389	154,061	(9,005,358)	12,598,404
Currency translation	-	-	(64,585)	-	(64,585)
Profit/(loss) for year	-	-	-	(1,546,800)	(1,546,800)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	-	-	(64,585)	(1,546,800)	(1,611,385)
Securities issued	11,830,203	-	-	-	11,830,203
Equity raising costs	(753,845)	-	-	-	(753,845)
Share based payments	-	270,658	-	-	270,658
At 30 JUNE 2010	28,433,670	4,363,047	89,476	(10,552,158)	22,334,035

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 September 2010.

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.

New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows;

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 138, 139, 1023 & 1038 and Interpretations 10 & 121 (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

The changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
 - simplifying the requirements for embedded derivatives;
 - removing the tainting rules associated with held-to-maturity assets;
 - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
 - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
 - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
 - a. the objective of the entity's business model for managing the financial assets; and
 - b. the characteristics of the contractual cash flows.
- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for First-time Adopters

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

[AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

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 comprise the financial statements of the Company and its subsidiaries. The financial statements of subsidiaries are prepared for the same reporting period as the Parent Entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company has control.

b) 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 balance sheet date. All differences in the consolidated financial report are taken to the income statement. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the income statement. 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 balance sheet date and the income statements are translated at the weighted 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 income statement.

c) 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:

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

- 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.

d) 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.

e) 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.

f) 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.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

g) 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.

h) 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.

i) 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.

j) 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.

k) 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

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Plant and equipment – over 2 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.

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.

l) 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.

m) 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.

n) Investments

Investments and other financial assets

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

Available-for-sale investments

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

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Impairment of financial assets

Impairment of available-for-sale investments

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when: the rights to receive cash flows from the asset have expired; the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Group could be required to repay. When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

o) Inventories

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

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.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 a binomial model until the end of November 2008, then the Black & Scholes method thereafter. 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.

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 period.

u) 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 accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

The Group's accounting policy for exploration and evaluation 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 income statement.

Significant accounting estimates and assumptions

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

Recovery of deferred assets

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

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The Group measures the cost of cash-settled share-based payments at fair value at the grant date using a binomial model until the end of November 2008, then the Black & Scholes model thereafter, taking into account the terms and conditions upon which the instruments were granted.

Consolidated Entity 2010 2009

NOTE 2. REVENUE

The profit/(loss) before Income tax expense include the following revenues and expenses where disclosure is relevant in explaining the performance of the consolidated and Parent entities:

	2010	2009
REVENUE		
Oil and Gas sales	2,020,462	5,463,620
Interest received from other persons	158,358	235,961
	2,178,820	5,699,581
OTHER INCOME		
Gain on market value of shares	199,093	-
	199,093	-
CHARGING AS EXPENSES		
Capitalised exploration written off	(328,303)	(9,808)
Exploration expenses	(823,336)	(1,615,573)
Current investments written down to market value	-	(1,479,000)
Consultancy fees	(170,165)	(47,140)
Remuneration of officers and employees	(1,039,033)	(1,057,435)
Amortisation of capitalised expenditure	(497,795)	(776,087)
Depreciation	(15,897)	(8,349)
Foreign Currency Exchange Differences	416,815	1,449,258
Cost of share based payments	(192,970)	(143,114)
Other operating expenses	(1,274,029)	(943,175)
	(3,924,713)	(4,630,423)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Entity
2010 2009

Consultancy fees above include share based payments amounting to \$77,688.

NOTE 3. INCOME TAX

Reconciliation of the prima facie income tax on operating profit/(loss) from ordinary activities with the income tax expense in the financial statements:

Prima facie income tax benefit on operating profit/(loss) calculated at 30%	(464,040)	320,747
Cost of share based payments	57,891	42,934
Loans written off		(214,051)
Other	248,737	467,606
Prior year losses utilised		(574,302)
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	157,412	(42,934)
INCOME TAX EXPENSE FROM ORDINARY ACTIVITIES	-	-

UNRECOGNISED DEFERRED TAX BALANCES

DEFERRED TAX ASSETS

Tax losses	2,403,528	2,433,862
Tax losses on capital account	519,791	214,052
Provisions and accruals	17,959	374,234
Capital raising costs	227,301	87,512
TOTAL DEFERRED TAX ASSETS	3,168,579	3,109,660

DEFERRED TAX LIABILITIES

Provisions and accruals	-	(4,621)
Excess of tax depreciation over accounting depreciation	-	(231,398)
Capitalised tenement acquisition costs	(257,191)	-
TOTAL DEFERRED TAX LIABILITIES	(257,191)	(236,019)

NET DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

	2,911,388	2,873,641
--	-----------	-----------

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	(9,005,358)	(10,074,516)
Net profit/(loss) for the financial year	(1,546,800)	1,069,158
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(10,552,158)	(9,005,358)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5. EARNINGS PER SHARE

Basic earnings per share (cents per share)	(0.79)	0.65
Diluted earnings per share (cents per share)	(0.79)	0.65
Profit/(loss) used in the calculation of basic EPS	(1,546,800)	1,069,158
Profit/(loss) used in the calculation of diluted EPS	(1,546,800)	1,069,158
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	195,513,378	165,656,936
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	195,513,378	165,656,936

During the year ended 30 June 2010, 4,500,000 options to subscribe for ordinary shares were issued, 34,367,517 options were exercised and nil options expired unexercised, leaving 12,750,000 options outstanding at 30 June 2010 (note 13). In addition, 3,000,000 options have been granted to a third party but have not been issued as they are subject to meeting certain pre-requisite conditions.

During the year ended 30 June 2009, 8,250,000 options to subscribe for ordinary shares were issued, 2,250,000 options were exercised and 27,475,000 options expired unexercised, leaving 42,617,517 options outstanding at 30 June 2009 (see Note13).

NOTE 6. TRADE & OTHER RECEIVABLES (CURRENT)

Trade debtors	598,497	573,444
Other debtors and prepayments	231,575	52,968
	<u>830,072</u>	<u>626,412</u>

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.

NOTE 7. OTHER FINANCIAL ASSETS (CURRENT)

Securities in corporations listed on a prescribed stock exchange at market value	-	306,000
	-	<u>306,000</u>

NOTE 8. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

At cost	83,490	50,265
Accumulated depreciation	(27,776)	(11,820)
TOTAL PLANT AND EQUIPMENT	<u>55,714</u>	<u>38,445</u>

MOVEMENTS IN THE CARRYING AMOUNT OF EACH CLASS OF PLANT AND EQUIPMENT

PLANT AND EQUIPMENT

At the beginning of the financial year	38,445	23,256
Additions	33,979	23,463
Depreciation expense	(15,897)	(8,349)
Foreign exchange adjustment	(813)	75
TOTAL PLANT AND EQUIPMENT	<u>55,714</u>	<u>38,445</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 9. CAPITALISED EXPLORATION EXPENDITURE

EXPLORATION AND DEVELOPMENT

Cost of Asset:		
Opening Balance	4,365,618	3,553,214
Additions	13,758,337	159,282
Total	18,123,955	3,712,496
Less:		
Write Offs	(328,303)	(9,808)
Foreign Exchange Adjustment	(178,554)	662,930
Total	17,617,098	4,365,618
Amortisation Costs:		
Opening Balance	(882,324)	(383,057)
Change for the Year	(235,878)	(466,524)
Foreign Exchange Adjustment	33,594	(32,743)
Accumulated Amortisation	(1,084,608)	(882,324)
TOTAL EXPLORATION AND DEVELOPMENT	16,532,490	3,483,294

PRODUCTION - PLANT

Cost of Asset:		
Opening Balance	1,417,657	1,197,950
Additions	344,091	-
Total	1,761,748	1,197,950
Less:		
Write Offs	-	(3,525)
Foreign Exchange Adjustment	68,030	223,232
Total	1,829,778	1,417,657
Amortisation Costs:		
Opening Balance	(491,036)	(174,579)
Change for the Year	(261,917)	(309,563)
Foreign Exchange Adjustment	13,853	(6,894)
Accumulated Amortisation	(739,100)	(491,036)
TOTAL PLANT AND EQUIPMENT	1,090,678	926,621
INTEREST IN NORTH AMERICAN OIL AND GAS PROJECTS	17,623,168	4,409,915

NOTE 10. TRADE AND OTHER PAYABLES (CURRENT)

Sundry creditors and accrued expenses	1,886,006	366,714
---------------------------------------	-----------	---------

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

NOTE 11(a). PROVISIONS (CURRENT)

Employee entitlements	21,364	4,221
-----------------------	--------	-------

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 11(b). PROVISIONS (NON -CURRENT)

Provision for rehabilitation	117,330	123,244
------------------------------	---------	---------

NOTE 12. BORROWINGS

Bank overdraft	28,197	-
----------------	--------	---

NOTE 13. ISSUED CAPITAL

225,192,535 (2009: 165,935,018) fully paid ordinary shares	28,433,666	17,357,308
1,000,000 (2009: 1,000,000) fully paid discovery shares	4	4
	28,433,670	17,357,312

MOVEMENTS IN ORDINARY SHARES

At the beginning of the financial year	17,357,308	17,132,308
1,000,000 shares issued on 25 July 2008	-	100,000
1,250,000 shares issued on 1 September 2008	-	125,000
747 shares issued on 12 October 2009	149	-
1,875 shares issued on 30 November 2009	375	-
300,000 shares issued on 21 December 2009	38,700	-
34,064,895 shares issued on 21 December 2009	6,812,979	-
22,594,240 shares issued on 30 December 2009	4,518,848	-
2,295,760 shares issued on 5 January 2010	459,152	-
Share issue expenses	(753,845)	-
AT THE END OF THE FINANCIAL YEAR	28,433,666	17,357,308

On 12 October 2009, the Company issued 747 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 747 options expiring on 31 December 2009.

On 30 November 2009, the Company issued 1,875 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 1,875 options expiring on 31 December 2009.

On 21 December 2009, the Company issued 300,000 fully paid ordinary shares at 12.9 cents per share pursuant to the exercise of 300,000 options expiring on 30 December 2009.

On 21 December 2009, the Company issued 34,064,895 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 34,064,895 options expiring on 31 December 2009.

On 30 December 2009, the Company issued 22,594,240 fully paid ordinary shares at 20 cents per share pursuant to a share placement under section 708(5) of the Corporations Act.

On 5 January 2010, the Company issued 2,295,760 fully paid ordinary shares at 20 cents per share pursuant to a share placement under section 708(5) of the Corporations Act.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

At 30 June 2010 there were 12,750,000 unissued ordinary shares for which options were outstanding. These comprise:

Status	Number	Exercise Price \$	Expiry Date
Non-Listed	1,625,000	0.25	29/06/2011
Non-Listed	1,625,000	0.35	30/06/2011
Non-Listed	1,500,000	0.35	31/01/2012
Non-Listed	1,500,000	0.50	31/01/2013
Non-Listed	1,250,000	0.25	31/10/2013
Non-Listed	1,250,000	0.35	31/10/2013
Non-Listed	2,500,000	0.50	31/10/2013
Non-Listed	1,500,000	0.70	31/01/2014
	12,750,000		

In addition, 3,000,000 options have been granted to a third party but have not been issued as they are subject to meeting certain pre-requisite conditions. During the year 34,367,517 options were exercised into ordinary shares.

At 30 June 2009 there were 42,617,517 unissued ordinary shares for which options were outstanding. These comprise:

Status	Number	Exercise Price \$	Expiry Date
Listed	34,067,517	0.20	31/12/2009
Non-Listed	300,000	0.129	30/12/2009
Non-Listed	1,625,000	0.25	29/06/2011
Non-Listed	1,625,000	0.35	30/06/2011
Non-Listed	1,250,000	0.25	31/10/2013
Non-Listed	1,250,000	0.35	31/10/2013
Non-Listed	2,500,000	0.50	31/10/2013
	42,617,517		

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.

Discovery Shares are a separate class to the fully paid ordinary shares in the capital of the Company and will be convertible into fully paid ordinary 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.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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	
	2010	2009
	\$	\$
NOTE 14. RESERVES		
Option premium reserve	4,363,047	4,092,389
Currency translation reserve	89,476	154,061
	4,452,523	4,246,450

MOVEMENTS IN OPTION PREMIUM RESERVE

At the beginning of the financial year	4,092,389	3,949,275
Share based payments expense	270,658	143,114
AT THE END OF THE FINANCIAL YEAR	4,363,047	4,092,389

MOVEMENTS IN CURRENCY TRANSLATION RESERVE

At the beginning of the financial year	154,061	459,402
Consolidation adjustment for the year	(64,585)	(305,341)
AT THE END OF THE FINANCIAL YEAR	89,476	154,061

The option premium reserve is used to accumulate the fair value of options issued.

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

On 5 August 2009, the Company issued 1,250,000 free options exercisable at 25 cents each and expiring on 31 October 2013. These options were granted upon the execution of employment contracts in December 2008 and were approved at a Meeting of Directors held on 5 August 2009. These options were valued on the date of issue at 3.0 cents each for Trent Spry and 3.17 cents each for Andrew Gastevich using the Black & Scholes method and based on a spot price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and an average of calculations using volatility factors of 85%.

On 5 August 2009, the Company issued 1,250,000 free options exercisable at 35 cents each and expiring on 31 October 2013. These options were granted upon the execution of employment contracts in December 2008 and were approved at a Meeting of Directors held on 5 August 2009. These options were valued on the date of issue at 2.25 cents each for Trent Spry and 2.73 cents each for Andrew Gastevich using the Black & Scholes method and based on a spot price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and an average of calculations using volatility factors of 85%.

On 5 August 2009, the Company issued 2,500,000 free options exercisable at 50 cents each and expiring on 31 October 2013. These options were granted upon the execution of employment contracts in December 2008 and were approved at a Meeting of Directors held on 5 August 2009. These options were valued on the date of issue at 1.86 cents each for Trent Spry and 2.28 cents each for Andrew Gastevich using the Black & Scholes method and based on a spot price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and an average of calculations using volatility factors of 85%.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

On 10 March 2010 the Company granted 3,000,000 options to a third party but have not as yet been issued as they are subject to meet certain pre requisite conditions. Details of the options are as follows:

- 1 million options exercisable at 35 cents each that vest when ordinary shares in the company trade at 35 cents or above for not less than 10 consecutive trading days within 12 months of grant date.
- 1 million options exercisable at 50 cents each that vest when ordinary shares in the company trade at 50 cents or above for not less than 10 consecutive days within 12 months of grant date.
- 1 million options exercisable at 70 cents each that vest when ordinary shares in the company trade at 70 cents or above for not less than 10 consecutive trading days within 18 months of grant date.

The 35 cent options were valued on the date of issue at 4.9 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.205, a risk free interest rate of 5.13% and a volatility factor of 91.16%.

The 50 cent options were valued on the date of issue at 2.1 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.205, a risk free interest rate of 5.13% and a volatility factor of 91.16%.

The 70 cent options were valued on the date of issue at 0.7 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.205, a risk free interest rate of 5.13% and a volatility factor of 91.16%.

On 29 April 2010, the Company issued the following employee options:

- 1,500,000 free options exercisable immediately at 35 cents each and expiring on 31 January 2012.
- 1,500,000 free options which vest and become exercisable on 31 January 2011 at 50 cents each and expiring on 31 January 2013.
- 1,500,000 free options which vest and become exercisable on 31 January 2012 at 70 cents each and expiring on 31 January 2014.

The executives' 35 cent options were valued on the date of issue at 7.8 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.225, a risk free interest rate of 4.98% and a volatility factor of 88.71%.

The executives' 50 cent options were valued on the date of issue at 8.7 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.225, a risk free interest rate of 5.27% and a volatility factor of 88.71%.

The executives' 70 cent options were valued on the date of issue at 9.5 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.225, a risk free interest rate of 5.53% and a volatility factor of 88.71%.

The issue of these options was approved at the General Meeting of shareholders held on 29 April 2010.

Consolidated Entity	
2010	2009
\$	\$

NOTE 15. CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT/(LOSS) AFTER INCOME TAX

Profit/(loss) after tax	(1,546,800)	1,069,158
<i>Cash flows in profit/(loss) attributable to non-operating activities</i>		
Exploration and development expenditure	823,336	1,767,447
<i>Non-cash flows in profit/(loss)</i>		
Depreciation of plant and equipment		
Unrealised foreign exchange differences	(416,815)	(1,379,208)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated Entity	
	2010	2009
	\$	\$
Exploration expenditure written off	328,303	-
Amortisation of capitalised expenditure	497,795	787,215
Current investments mark to market	(199,093)	1,479,000
Cost of share based payment	270,658	143,114
Loans written off		
Realised Foreign exchange profit		
 <i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	(203,660)	963,151
Increase/(decrease) in other creditors and accruals	1,519,292	215,805
Increase/(decrease) in provisions	-	127,465
	1,100,142	5,191,304
 NET CASH FROM/(USED IN) OPERATING ACTIVITIES		
 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	5,877,978	7,711,811
Bank overdraft (Note 12)	(28,197)	-
	5,849,781	7,711,811
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR		

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 net of bank overdraft

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year ended 30 June 2010, options valued at \$270,658 were issued.
There are no financing facilities in place for the Company

NOTE 16. AUDITOR'S REMUNERATION

Remuneration of the auditor of the Company for:

Auditing or reviewing the financial report	58,718	44,139
Other services	7,022	3,590

Remuneration of other auditors of subsidiaries for:

Auditing or reviewing the financial report of subsidiaries	-	-
--	---	---

	65,740	47,729
--	---------------	---------------

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 17. KEY MANAGEMENT PERSONNEL

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2009 or Appointment	Number of Ordinary Shares		30 June 2010 or Resignation
		Issued as Remuneration	Net Change Other	
Russell Brimage	6,012,726	-	357,762	6,370,488
Ian Sandover	4,167,666	-	532,334	4,700,000
Craig McGown	200,000	-	200,000	400,000
David Craig	150,000	-	-	150,000
Andy Padman	369,724	-	220,276	590,000
Andrew Gastevich	-	-	50,000	50,000
Trent Spry	100,000	-	375,000	475,000
David Christian	-	-	-	-
Michael Verm	-	-	20,000	20,000
	11,000,116	-	1,755,372	12,755,488

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2008 or Appointment	Number of Ordinary Shares		30 June 2009 or Resignation
		Issued as Remuneration	Net Change Other	
Russell Brimage	5,567,839	-	444,887	6,012,726
Paul Garner	2,000,000	-	500,000	2,500,000
Ian Sandover	4,000,000	-	167,666	4,167,666
Craig McGown	-	-	200,000	200,000
David Craig	-	-	150,000	150,000
Andy Padman	-	-	369,724	369,724
Jack Toby	65,556	-	-	65,556
Andrew Gastevich	-	-	-	-
Trent Spry	-	-	100,000	100,000
Scott Wentz	-	-	-	-
David Christian	-	-	-	-
	11,633,395	-	1,932,277	13,565,672

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2009 or Appointment	Number of Options		30 June 2010 or Resignation
		Granted as Remuneration	Net Change Other	
Russell Brimage	2,528,311	-	(2,528,311)	-
Ian Sandover	2,000,000	-	(2,000,000)	-
Craig McGown	1,250,000	-	-	1,250,000
David Craig	1,000,000	-	-	1,000,000
Andrew Padman	1,000,000	-	-	1,000,000
Andrew Gastevich	1,000,000	-	-	1,000,000
Trent Spry	4,000,000	-	-	4,000,000
David Christian	-	2,250,000	-	2,250,000
Michael Vern	-	2,250,000	-	2,250,000
	12,778,311	4,500,000	(4,528,311)	12,750,000

At 30 June 2010 all options granted to directors are vested while options granted to key management are not yet fully vested.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	1 July 2008 or Appointment	Number of Options		30 June 2009 or Resignation
		Granted as Remuneration	Net Change Other	
Russell Brimage	6,528,311	-	(4,000,000)	2,528,311
Paul Garner	6,687,500	-	(4,000,000)	2,687,500
Ian Sandover	2,000,000	-	-	2,000,000
Craig McGown	-	1,250,000	-	1,250,000
David Craig	-	1,000,000	-	1,000,000
Andrew Padman	-	1,000,000	-	1,000,000
Jack Toby	2,537,416	-	-	2,537,416
Andrew Gastevich	-	1,000,000	-	1,000,000
Trent Spry	-	4,000,000	-	4,000,000
Scott Wentz	-	-	-	-
David Christian	-	-	-	-
	17,753,227	8,250,000	(8,000,000)	18,003,227

NOTE 18. SHARE BASED PAYMENTS

During the year ended 30 June 2010 the following share based payments were issued by the Company and by the Consolidated Entity.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	42,617,517	\$0.231
Granted	4,500,000	\$0.516
Forfeited	-	-
Exercised	(34,367,517)	\$0.199
Expired	-	-
OUTSTANDING AND EXERCISABLE AT YEAR END	12,750,000	\$0.416

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

On 29 April 2010, the Company issued the following employee options:

- 1,500,000 free options exercisable immediately at 35 cents each and expiring on 31 January 2012.
- 1,500,000 free options which vest and become exercisable on 31 January 2011 at 50 cents each and expiring on 31 January 2013.
- 1,500,000 free options which vest and become exercisable on 31 January 2012 at 70 cents each and expiring on 31 January 2014.

The issue of these options was approved at the General Meeting of shareholders held on 29 April 2010.

Options granted to consultants are not included in this table.

During the year ended 30 June 2009 the following share based payments were issued by the Company and by the Consolidated Entity.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	64,092,517	\$0.1533
Granted	8,250,000	\$0.36
Forfeited	-	-
Exercised	(2,250,000)	\$0.10
Expired	(27,475,000)	\$0.20
OUTSTANDING AND EXERCISABLE AT YEAR END	42,617,517	\$0.231

On 5 August 2009, the Company issued 1,250,000 free options exercisable at 25 cents each and expiring on 31 October 2013. These options were granted upon the execution of employment contracts in December 2008 and were approved at a Meeting of Directors held on 5 August 2009. These options were valued on the date of issue at 3.0 cents each for Trent Spry and 3.17 cents each for Andrew Gastevich using the Black & Scholes method and based on a spot price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and an average of calculations using volatility factors of 85%.

On 5 August 2009, the Company issued 1,250,000 free options exercisable at 35 cents each and expiring on 31 October 2013. These options were granted upon the execution of employment contracts in December 2008 and were approved at a Meeting of Directors held on 5 August 2009. These options were valued on the date of issue at 2.25 cents each for Trent Spry and 2.73 cents each for Andrew Gastevich using the Black & Scholes method and based on a spot price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and an average of calculations using volatility factors of 85%.

On 5 August 2009, the Company issued 2,500,000 free options exercisable at 50 cents each and expiring on 31 October 2013. These options were granted upon the execution of Employment Contracts in December 2008 and were approved at a Meeting of Directors held on 5 August 2009. These options were valued on the date of issue at 1.86 cents each for Trent Spry and 2.28 cents each for Andrew Gastevich using the Black & Scholes method and based on a spot price of \$0.062 for Trent Spry and \$0.07 for Andrew Gastevich, a risk free interest rate of 3.8% for Trent Spry and 3.93% for Andrew Gastevich and an average of calculations using volatility factors of 85%.

NOTE 19. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the year ended 30 June 2010 and also during the year ended 30 June 2009, the Consolidated Entity operated entirely in the oil and gas industry.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Secondary Reporting Geographical Segments:

	External Revenue \$	Inter- Segment Revenue \$	Total Revenue \$	Segment Profit /(Loss) \$	Segment Assets \$	Segment Liabilities \$
YEAR TO 30 JUNE 2010						
Australasia	1,993,498	(1,434,395)	559,103	(1,427,116)	4,316,982	267,627
North America	1,818,810	-	1,818,810	(119,686)	20,069,950	1,785,270
TOTAL	3,812,308	(1,434,395)	2,377,913	(1,546,800)	24,386,932	2,052,897

	External Revenue \$	Inter- Segment Revenue \$	Total Revenue \$	Segment Profit /(Loss) \$	Segment Assets \$	Segment Liabilities \$
YEAR TO 30 JUNE 2009						
Australasia	1,738,639	(1,037,946)	700,693	(1,415,004)	6,088,879	110,330
North America	4,998,888	-	4,998,888	2,484,162	7,003,704	383,849
TOTAL	6,737,527	(1,037,946)	5,699,581	1,069,158	13,092,583	494,179

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

NOTE 20. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
	2010	2009	2010 \$	2009 \$	2010 \$	2009 \$
<i>Parent Entity</i>						
Entek Energy Limited						
<i>Entities controlled by Entek Energy Limited</i>						
Entek USA Inc	100%	100%	-	-	(1,554,081)	1,446,217
Cities Energy Pty Ltd	100%	100%	-	-	-	-
<i>Entities controlled by Entek USA Inc</i>						
Entek USA General LLC	100%	100%	-	-	-	-
Entek USA Limited LLC	100%	100%	-	-	-	-
Entek Energy USA LLC	100%	100%	-	-	-	-
Entek GRB LLC	100%	Nil	-	-	-	-
<i>Interests in controlled Entities held by Entek USA General LLC</i>						
Entek USA LP	1%	1%	-	-	-	-
<i>Entities controlled by Entek USA Limited LLC</i>						
Entek USA LP	99%	99%	-	-	-	-
			-	-	(1,554,081)	1,446,217

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Entek USA Inc, Entek USA Limited LLC, Entek USA General 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 2008 year, the Parent Entity incorporated Entek Energy USA LLC in the United States of America. The results of Entek Energy USA LLC have been included in the Consolidated Entity from the date of its registration on 6 August 2007.

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.

Expenditure

The Company holds a 28.15% interest in the joint venture that operates ATP269P in Queensland, Australia. To meet its expenditure commitments, in the year commencing 1 January 2010, the joint venture is required to conduct geological and geophysical work to the value of AUD\$1.69m. In the United States, block annual rentals totalling US\$330,335 are payable over the next financial year in the Gulf of Mexico. In addition to this, the Company expects to spend at least US\$156,663 on leasing acreage in the Green River Basin (onshore Colorado and Wyoming).

Contractual

Consolidated Entity	
2010	2009
\$	\$

COMMITMENTS FOR THE PAYMENT OF SALARIES AND OTHER REMUNERATION UNDER LONG-TERM EMPLOYMENT CONTRACTS IN EXISTENCE AT THE REPORTING DATE BUT NOT RECOGNISED AS LIABILITIES, PAYABLE:

Within one year	1,168,418	698,450
After one year but not more than five years	4,162,281	2,177,950
	5,330,699	2,876,400

Environmental

The Company is a 5% interest holder in the joint venture that operates High Island 24L in the Gulf of Mexico. There are two operating wells on the site. The estimated cost of abandonment is US\$1m per well and this is estimated to occur in three to five years time. The Company has raised a provision of US\$100,000 (AUD \$117,330) for refurbishment of the well sites.

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 to 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.

NOTE 22. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2010.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 23. CONTINGENT ASSETS

Other than the future income tax benefit as disclosed in Note 3, no other contingent assets exist as at 30 June 2010.

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.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

LIQUIDITY RISK

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

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There are no material amounts of collateral held as security at 30 June 2010. 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 Triple 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 2010 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. Oil and gas prices have fallen over the last 12 months and 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 balance sheet.

	Consolidated Entity	
	2010	2009
	\$	\$
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:		
Less than 6 months	1,886,006	366,714
6 months to 1 year	-	-
later than 1 year but not later than 5 years	-	-
over 5 years	-	-
	1,886,006	366,714
	1,886,006	366,714

FAIR VALUES

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

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2010 \$	AGGREGATE NET FAIR VALUE 2010 \$	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2009 \$	AGGREGATE NET FAIR VALUE 2009 \$
<i>Financial Assets</i>				
Cash assets	5,877,978	5,877,978	7,711,811	7,711,811
Receivables	830,072	830,072	626,412	626,412
Other financial assets			306,000	306,000
<i>Financial Liabilities</i>				
Payables	1,886,006	1,886,006	366,714	366,714
Borrowings	28,197	28,197	-	-

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 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 2010, 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	
	2010	2009
	\$	\$
CHANGE IN PROFIT DUE TO:		
Increase in interest rate by 2%	144,507	99,875
Decrease in interest rate by 2%	(144,507)	(99,875)
CHANGE IN EQUITY DUE TO:		
Increase in interest rate by 2%	144,507	99,875
Decrease in interest rate by 2%	(144,507)	(99,875)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2010, 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	
	2010	2009
	\$	\$
CHANGE IN PROFIT DUE TO:		
Improvement in AUD to USD by 5%	(74,004)	124,208
Decline in AUD to USD by 5%	74,004	(124,208)
CHANGE IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	(74,004)	124,208
Decline in AUD to USD by 5%	74,004	(124,208)

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE:

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
CONSOLIDATED				
2010				
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss:				
- derivative instruments	-	-	-	-
- investments - held-for-trading	-	-	-	-
Held-to-maturity investments				
- fixed interest securities	-	-	-	-
Available-for-sale financial assets:				
- listed investments	-	-	-	-
- unlisted investments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2009				
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss:				
- derivative instruments	-	-	-	-
- investments - held-for-trading	-	-	-	-
Held-to-maturity investments				
- fixed interest securities	-	-	-	-
Available-for-sale financial assets				
- listed investments	306	-	-	306
- unlisted investments	-	-	-	-
	<u>306</u>	<u>-</u>	<u>-</u>	<u>306</u>
	<u>306</u>	<u>-</u>	<u>-</u>	<u>306</u>

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

Included within Level 1 of the hierarchy are listed investments. The fair values of these financial assets have been based on the closing quoted bit prices at reporting date, excluding transaction costs.

In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments.

Derivative instruments are included in Level 3 of the hierarchy with the fair values being determined using valuation techniques incorporating observable market data relevant to the hedged position.

NOTE 25. RELATED PARTY TRANSACTIONS

The Company is not controlled by any other entity.

NOTE 26. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 27. JOINT VENTURE INTERESTS

The Consolidated Entity has a 5% working interest in the exploration and development of High Island Block 24L, Texas State Waters Offshore.

The Consolidated Entity has a 28.15% working interest in the exploration and development of ATP269P in Queensland, Australia.

The Consolidated Entity has a 25% working interest in the exploration and development of North Padre Island Block 975, Federal Outer Continental Shelf.

The Consolidated Entity has a 38% working interest in the exploration and development of Galveston Block A133, Federal Outer Continental Shelf.

The Consolidated Entity has a 50% working interest in the exploration and development of Vermillion Block 341, Federal Outer Continental Shelf.

The Consolidated Entity has a 50% working interest in the exploration and development of Vermillion Block 342, Federal Outer Continental Shelf.

The Consolidated Entity has a 20.31% working interest (earned through farm-in) in the exploration and development of the Battle Mountain, Slater Dome, Focus Ranch, Scorpion and Dolan Mesa Projects, based in the states of Colorado and Wyoming.

NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE

On 15 September 2010, the Company advised it has reached agreement to raise \$7,637,500 (net of fees) through the placement of up to 62.5million shares at 13 cents per share, primarily to sophisticated and institutional investors. The funds raised will be used primarily to fund the development and exploration of the Company's oil and gas projects including Green River Basin farm-in exploration and development wells and workover; and the drilling and subsequent development work associated with the Galveston Block GA-A133 well in the Gulf of Mexico.

The placement will be completed in two Tranches. Tranche 1 comprising up to 33.5 million shares will be allotted immediately upon clearance of funds pursuant to Entek's 15% placement capacity. Tranche 2 comprising up to 29million shares will be issued subject to the receipt of approval at a General Meeting of shareholders scheduled for 22 October 2010.

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 29. PARENT FIGURES DISCLOSURES

	30 JUNE 2010	30 JUNE 2009
	\$	\$
ASSETS		
Current Assets	4,289,751	6,065,315
Non-current assets	19,780,076	6,498,353
Total assets	24,069,827	12,563,668
LIABILITIES		
Current liabilities	267,627	110,330
Non-current liabilities	-	-
Total liabilities	267,627	110,330
NET ASSETS		
	23,802,200	12,453,338
EQUITY		
Issued capital	28,433,670	17,357,312
Retained earnings	(8,994,517)	(8,996,358)
RESERVES		
Option premium reserve	4,363,047	4,092,384
Total equity	23,802,200	12,453,338
Profit/(Loss) for the year	1,840	9,541,912
Other comprehensive income	-	-
Total comprehensive Income/(Loss)	1,840	9,541,912
 GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES		
Guarantees provided	-	-
Contingent liabilities of the parent entity	-	-
	-	-
 COMMITMENT FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY		
Not longer than one year	-	-
Longer than one year and not longer than five years	-	-
Longer than five years	-	-
	-	-

The accompanying notes form part of these financial statements

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

Report on the Financial Report

We have audited the accompanying financial report of Entek Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cashflows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Entek Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1 .

Report on the Remuneration Report

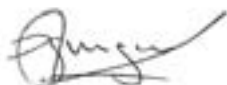
We have audited the remuneration report included in pages 12 to 23 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Entek Energy Limited for the year ended 30 June 2010 complies with section 300 A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL (An Authorised Audit Company)

Stantons International



Keith Lingard
Director

West Perth, Western Australia
29 September 2010

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

29 September 2010

Board of Directors
Entek Energy Limited
15 Rheola Street
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 Director for the audit of the financial statements of Entek Energy Limited for the year ended 30 June 2010, 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 sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



Keith Lingard
Director

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares
1 — 1,000	326
1,001 — 5,000	442
5,001 — 10,000	306
10,001 — 100,000	892
100,001 — and over	264
Total number of holders	2,230
Holdings of less than a marketable parcel	592

ANALYSIS OF HOLDINGS OF UNLISTED SHARES AND OPTIONS IN THE COMPANY

	Discovery Shares	Options expiring 29 June 2011	Options expiring 30 June 2011	Options expiring 31 Jan 2012	Options expiring 31 Jan 2013	Options expiring 31 Oct 2013	Options expiring 31 Jan 2014
1 — 1,000	0	0	0	0	0	0	0
1,001 — 5,000	0	0	0	0	0	0	0
5,001 — 10,000	0	0	0	0	0	0	0
10,001 — 100,000	0	0	0	0	0	0	0
101,001 — and over	3	3	3	2	2	2	2
Total number of holders	3	3	3	2	2	2	2

REGISTERED OFFICE OF THE COMPANY

Ground Floor
15 Rheola St
West Perth
Western Australia 6005

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

STOCK EXCHANGE LISTING

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

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

SHARE REGISTRY

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

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth, Western Australia 6000

Tel: +61 (8) 9323 2000
Fax: +61 (8) 9323 2033

COMPANY SECRETARY

The name of the company secretary is Andrew James Gastevich.

TAXATION STATUS

Entek Energy Limited is taxed as a public company.

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

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.

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
Topspeed Pty Ltd	17,300,000	7.68%
National Nominees Ltd	13,581,003	6.03%
Ian Sandover & Associates	8,752,982	3.89%
Mrs Janice Ivy Skinner	5,300,000	2.35%
Pouviot Pty Ltd	5,284,743	2.35%
Mr Kenneth John Bull	4,000,000	1.78%
Miss Caroline Rita Marianne Creyf	4,000,000	1.78%
Mr Robert Francis Davies	3,978,979	1.77%
Mr Saro Vinzi Carbone	3,844,100	1.71%
Australian Mineral Investors Pty Ltd	3,500,000	1.55%
Pine Creek Holdings Pty Ltd	3,250,000	1.44%
JP Morgan Nominees Australia Limited	3,246,518	1.44%
Czislowski Holdings Pty Ltd	2,500,000	1.11%
Westcrest Enterprises Pty Ltd	2,459,800	1.09%
Nockolds Superannuation Pty Ltd	2,446,000	1.09%
HSBC Custody Nominees	2,305,843	1.02%
M J Passmore Nominees Pty Ltd	2,200,000	0.98%
Mr Nathan John Featherby	2,062,733	0.92%
Mr Graham Douglas Riley & Mrs Anne Marie Riley	2,000,000	0.89%
Mr Kimley Wayne Watters	2,000,000	0.89%
	94,012,701	41.75%

TWENTY LARGEST HOLDERS OF DISCOVERY SHARES

	Number of Shares	Percentage of Total
Digwell Energy, LLC	333,334	33.34%
Delta Oil & Gas, LLC	333,333	33.33%
Petrosand Energy, LLC	333,333	33.33%
	1,000,000	100.00%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 29 JUNE 2011

	Number of Options	Percentage of Total
Mr Craig McGown	625,000	38.46%
Mr David Craig	500,000	30.77%
Mr Andrew Padman & Mrs Katherine Padman	500,000	30.77%
	1,625,000	100.00%

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 30 JUNE 2011

	Number of Shares	Percentage of Total
Mr Craig McGown	625,000	38.46%
Mr David Craig	500,000	30.77%
Mr Andrew Padman & Mrs Katherine Padman	500,000	30.77%
	<u>1,625,000</u>	<u>100.00%</u>

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 JANUARY 2012

	Number of Options	Percentage of Total
Mr David Christian	750,000	50%
Mr Michael Vern	750,000	50%
	<u>1,500,000</u>	<u>100%</u>

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 JANUARY 2013

	Number of Options	Percentage of Total
Mr David Christian	750,000	50%
Mr Michael Vern	750,000	50%
	<u>1,500,000</u>	<u>100%</u>

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 OCTOBER 2013

	Number of Options	Percentage of Total
Premier Developments & Investments Pty Ltd	4,000,000	80.00%
Mr Andrew Gasteovich	1,000,000	20.00%
	<u>5,000,000</u>	<u>100.00%</u>

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 JANUARY 2014

	Number of Options	Percentage of Total
Mr David Christian	750,000	50%
Mr Michael Vern	750,000	50%
	<u>1,500,000</u>	<u>100%</u>

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
24 Nov 2009	Janice Ivy Skinner	22,600,000
20 Jan 2010	Junior Oils Trust	14,375,000

INTERESTS IN OIL & GAS TENEMENTS

LEASE INTEREST

AUSTRALIA:

Glensvale Block ATP 269P in South West Queensland 28.15%

UNITED STATES – OFF SHORE:

TEXAS STATE OFFSHORE LEASES

Lease No. M-106410, High Island Block 24-L (S/2 SW/4)	5.0%
Lease No. M-107044, High Island Block 24-L, (N/2 SW/4)	5.0%
Lease No. M-107045, High Island Block 25-L, (S/2 SE/4)	5.0%
Lease No. M-107046, High Island Block 32-L, (N/2 NW/4)	5.0%

FEDERAL OUTER CONTINENTAL SHELF BLOCKS

Block 115, Grand Banks Area	100%
Block 252, Main Pass Area, S & E Addition	100%
Block 517, West Cameron	100%
Block A133, Galveston	38%
Block 212, Galveston	100%
Block 213, Galveston	100%
Block 341, Vermilion	50%
Block 342, Vermilion	50%
Block 975, Padre North	25%

UNITED STATES – ON SHORE:

Colorado - Project: Battle Mountain – Counties: Routt, Moffat	20.31%
- Project: Slater Dome – Counties: Routt, Moffat	20.31%
- Project: Focus Ranch – County: Routt	20.31%
Wyoming - Project: Battle Mountain – County: Carbon	20.31%
- Project: Slater Dome – County: Carbon	20.31%
- Project: Scorpion – County: Carbon	20.31%
- Project: Dolan Mesa – County: Carbon	20.31%

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

INTRODUCTION

The directors are focussed on fulfilling their responsibilities individually, and as a Board, for the benefit of all the Company's stakeholders. That involves recognition of, and a need to adopt, principles of good corporate governance. The Board supports the guidelines on the "Principles of Good Corporate Governance and Best Practice Recommendations" established by the ASX Corporate Governance Council.

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

Given the size and structure of the Company, the nature of its business activities, the stage of its development and the cost of strict and detailed compliance with all of the recommendations, it has adopted a range of modified systems, procedures and practices which it considers will enable it to meet the principles of good corporate governance.

The Company's practices are mainly consistent with those of the guidelines and where they do not correlate with the recommendations in the guidelines the Company considers that its adopted practices are appropriate to it. At the end of this statement a table is included detailing the recommendations with which the Company does not strictly comply.

The following section addresses the Company's practices in complying with the principles.

PRINCIPLE 1: LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

The Board exists to lead and oversee the management and direction of the Company.

After appropriate consultation with executive management the Board:

- defines and sets its business objectives and subsequently monitors performance and achievements of those objectives;
- it oversees the reporting on matters of compliance with corporate policies and laws, takes responsibility for risk management processes and a review of executive management of the Company;
- monitors and approves financial performance and budgets; and
- reports to shareholders.

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

The names of the directors of the Company and their qualifications are set out in the section headed "Information on Directors and Company Secretary" in the directors' report of this the Annual Report. The composition of the Board is determined so as to provide the Company with a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company.

The recommendations of best practice are that a majority of the directors and in particular the chairperson should be independent. An independent director is one who:

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;
- is not a principal of a professional adviser to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or any other Group member other than as a director of the Company; and

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Mr Craig McGown meets these criteria from 18 July 2008, Mr David Craig from 18 July 2008 and Mr Andrew Padman from 1 September 2008. Mr Craig McGown has been the Chairman of the Board from 18 July 2008. Mr Russell Brimage was Chairman of the Board prior to 18 July 2008.

Nomination of Other Board Members

Membership of the Board of Directors is reviewed on an on-going basis by the Chairman of the Board to determine if additional core strengths are required to be added to the Board in light of the nature of the Company's businesses and its objectives. The Board does not believe that at this point in the Company's development it is necessary to appoint additional directors.

Independent Advice

Each director of the Company or a controlled entity has the right to seek independent professional advice at the expense of the Company or the controlled entity, however prior approval of the Chairman is required which will not be unreasonably withheld.

PRINCIPLE 3: PROMOTION OF ETHICAL AND RESPONSIBLE DECISION MAKING

Directors, officers, employees and consultants to the Company are required to observe high standards of behaviour and business ethics in conducting business on behalf of the Company and they are required to maintain a reputation of integrity on the part of both the Company and themselves. The Company does not contract with or otherwise engage any person or party where it considers integrity may be compromised.

Directors are required to disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director or the interests of any other party in so far as it affects the activities of the Company and to act in accordance with the Corporations Act if conflict cannot be removed or if it persists. That involves taking no part in the decision making process or discussions where that conflict does arise.

Directors are required to make disclosure of any share trading. The Company policy in relation to share trading is that officers are prohibited to trade whilst in possession of unpublished price sensitive information concerning the Company or within a period of the release of results i.e. the blackout period. That is information which a reasonable person would expect to have a material affect on the price or value of the Company's shares. An officer must receive authority to acquire or sell shares with the directors or the Company Secretary prior to doing so to ensure that there is no price sensitive information of which that officer might not be aware. The undertaking of any trading in shares must be notified to the ASX.

PRINCIPLE 4: SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

The Company has an Audit Committee that operates under a formal charter. The Committee is made up of two Non-Executive Directors and one Executive Director. It has an Independent Chair that is not Chair of the Board. The Committee meets a minimum of twice a year. The Chairman of the Committee reports to the Board at the next Board meeting after each Committee meeting.

A director does make a statement to the shareholders that the Company's financial reports present a true and fair view in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

All directors, executives and staff are required to abide by all legal requirements, the Listing Rules of the Australian Securities Exchange and the highest standards of ethical conduct. This includes compliance with the continuous disclosure requirements of the listing rules.

The Company Secretary is the person responsible for overseeing and co-ordinating disclosure of information to ASX as well as communicating with the ASX.

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

PRINCIPLE 6: RESPECTING THE RIGHTS OF SHAREHOLDERS

The Board's fundamental responsibility to shareholders is to work towards meeting the Company's objectives so as to add value for them.

The Board seeks to inform shareholders of all major developments affecting the Company by:

- preparing half yearly and yearly financial reports;
- preparing quarterly cash flow reports and reports as to activities;
- making announcement in accordance with the listing rules and the continuous disclosure obligations;
- posting all of the above on the Company's website;
- annually, and more regularly if required, holding a general meeting of shareholders and forwarding to them the annual report, if requested, together with notice of meeting and proxy form; and
- voluntarily releasing other information which it believes is in the interest of shareholders.

The Annual General Meeting enables shareholders to receive the reports and participate in the meeting by attendance or by written communication. The Board seeks to notify all shareholders so they can be fully informed annually for the voting on the appointment of directors and so as to enable them to have discussion at the Annual General Meeting with the directors and/or the auditor of the Company who is invited to the Annual General Meeting.

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

The Board is conscious of the need to continually maintain systems of risk management and controls to manage all of the assets and affairs of the Company.

The risk management includes asset risk, operational risk, personnel health and safety risk, currency fluctuation risk, amongst others. The Company identifies and manages those risks on a case by case and overall corporate basis.

During the year a formal written policy on risk management was adopted by the Board. The Board reviews this policy at its monthly Board meetings.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

There is no formal remuneration committee.

One third of the directors retires annually in accordance with the Constitution and is free to seek re-election by shareholders.

Each member of the Board has committed to spending sufficient time to enable them to carry out their duties as a director of the Company.

A maximum amount of remuneration for non-executive directors is fixed by shareholders in general meeting and can be varied in that same manner. In determining the allocation the Board takes account of the time demands made on the directors together with such factors as fees paid to other corporate directors and to the responsibilities undertaken by them.

ADDITIONAL INFORMATION AS AT 29 SEPTEMBER 2010

TABLE OF DEPARTURES AND EXPLANATIONS (FROM THE RECOMMENDATIONS OF THE ASX CORPORATE GOVERNANCE COUNCIL)

"Recommendation" Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
2.4	A separate Nomination Committee has not been formed.	The Board comprises four members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.
8.1	No formal remuneration committee has been established.	Given the size and nature of the Company, its business interests, remuneration and other benefits paid to its directors, the Board does not consider it yet to be necessary to prepare formal remuneration policies. At the appropriate time the Board will take independent advice.



ENTEK
ENERGY LIMITED

ABN 43 108 403 425
www.entekenergy.com.au
15 Rheola Street, West Perth,
Western Australia 6005
Phone: +61 (8) 9213 4388
Fax: +61 (8) 9213 4399
Email: info@entekenergy.com.au