



Due Diligence and Valuation Report

Arrowhead Code: 06-03-02
 Coverage initiated: 10 October 2009
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 Fair share value bracket: AUS\$0.691 to AUS\$1.169
 Share price on date: AUS\$0.210ⁱ

Analyst

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Market Data

52-Week Range:	AUS\$0.05 – AUS \$0.31 ⁱⁱ
Average Daily Volume:	950,759 ⁱⁱⁱ
Market Cap. on date:	AUS \$47.290MM

Financial Forecast Data (in AUS\$)

	'08A	'09E	'10E	'11E	'12E	'13E	'14E
High profit/(loss) MM	1.07	6.91	20.04	29.49	29.58	30.56	32.69
High EPS cents	0.64	3.07	8.90	13.10	13.13	13.57	14.52
Low profit/(loss) MM	1.07	3.93	12.55	18.37	18.19	18.21	18.71
Low EPS cents	0.64	1.74	5.57	8.16	8.08	8.09	8.31

Fiscal Year (FY)

July 1st – June 30th

Summary

Entek Energy Ltd. is an Australian oil and gas exploration and production company with interest in projects in varying exploration, development and production stages. Key oil and gas assets are located in the USA's Gulf of Mexico and in the Green River Basin in Colorado and Wyoming. In addition, Entek has some remaining historical interest in a producing lease in Southwest Queensland.



Company: ENTEK ENERGY, LTD.
 Ticker: ASX: ETE
 Headquarters: West Perth, WA, Australia
 Offices: West Perth, WA, Australia
 CEO & Executive Director: Mr. Russell E. Brimage
 Non-Executive Chairman: Mr. Craig I. McGown
 Website: www.entekenergy.com.au

Entek has interest in production and revenue as of February 24th, 2010 at High Island in the Gulf of Mexico and in Queensland. Entek possesses good proven and contingent resource estimates on Gulf of Mexico and Colorado assets; and a good discovery track-record in both areas. In the Gulf of Mexico the company has two completed producer (High Island) and four future producers (Galveston Island, West Cameron, Main Pass and Garden Banks) ready for drilling and tie-in to production.

In the Green River Basin the company has production from the Slater Dome Gas Field and has 4 wells awaiting testing and tie-in to production.

Entek's target products, oil and natural gas, have good marketability data^{iv}, with foreseeable increases in international demand in 2010 and onwards, as the hardest effects of the 2008-09 recession fade.

Given due diligence and valuation estimations based on intrinsic revenue capacity of existing assets, Arrowhead believes that Entek Energy's fair share value lies in the AUS \$0.691 to AUS \$1.169 bracket.^v This value is based on continuing production from High Island and Queensland; assumptions of production from Slater Dome in Colorado; the drilling and development at Galveston Island, West Cameron, Main Pass, Garden Banks; and tie-in of existing wells in the Green River Basin. This is a conservative estimate. The current valuation does not take account of the potential value of the company's other assets, excluding for instance additional reserves in the Green River Basin and additional assets in the Gulf of Mexico.



Company Presentation

To date Entek's hydrocarbons production, development and exploration assets are located in offshore Gulf of Mexico, in the Green River Basin, Colorado and in Southwest Queensland. In addition to possessing interest in its original home country of Australia, Entek Energy entered the United States oil and gas exploration and production business in 2007 with participation in JVs in the shallow waters of the Gulf of Mexico; has subsequently built a highly prospective portfolio of blocks in the Gulf of Mexico; and has recently farmed-in for 55% interest in assets and leases in the Green River Basin in Colorado and Wyoming, including a Coal Bed Methane (CBM) field and wells where oil and gas have already been tested to surface. Overall, Entek possesses working interest through the exploration, development and production phase in offshore Blocks HI 24-L, HI 25-L, HI 32-L, HI A246, MP 252, GB 115, GA A133, GA 212, GA 213 and WC 517 in the Gulf of Mexico; in Lease ATP-269P in Southwest Queensland; and in approximately 70,000 acres of highly prospective ground in the Green River Basin, Colorado and Wyoming, including the Slater Dome Gas Field and numerous wells awaiting tie-in to production.

High Island Block 24-L saw a first well go into production in October 2007. Subsequently, a second well was completed as a producer. High Island has produced over US\$9.5MM net to Entek since production started. Last financial year the revenue stemming from the Southwest Queensland lease was in excess of US\$500,000.

Entek Energy's revenue for the forecast period is essentially dependent on production out of two wells at High Island, on continued production in Southwest Queensland, on continued and forecast increasing production at the Slater Dome Field and on the drilling and production at exploration targets in GA A133, WC 517, MP 252, and GB 115, delivering the expected reserves and production rates.

Entek Energy's asset portfolio includes

- Interest in two oil production assets generating revenue of January 2010 and expected to generate increasing revenue with the development of new wells:
 - o **5% of four Texas State Offshore leases spread over High Island Blocks 24-L, 25-L and 32-L in the offshore Gulf of Mexico,**
 - including two production wells at High Island in Block 24-L having produced 32Bcf of gas and 245,000stb of condensate from 18th October 2007 to 31st July 2009, with ~65% reserves remaining as of Q4 2009.
 - o **28.15% of Lease ATP-269 P in SW Queensland in the Eromanga Basin,** with three wells currently producing an average of 1200 stb of oil per month.
- Interest in a portfolio of oil and gas exploration assets on the outer continental shelf in the Gulf of Mexico:
 - o **100% working interest in the Federal Outer Continental Shelf Blocks GA A133, WC 517, GA 212, GA 213, HI A246, MP 252 and GB 115.**
 - GA A133, with proved reserves estimated to be in the order of 12Bcf, currently being certified.
 - WC 517, with proved reserves estimated to be in the order of 30Bcf, currently being certified.
 - MP 252, with certified 2P reserves of 15Bcf of gas and 29,449stb of condensate as of Q4 2009.
 - GB 115, with a recoverable resource estimate of 21.5Bcf as of Q4 2009.
 - HI A246, has shallow gas potential of around 12Bcf, with deeper gas potential.
 - GA 212, with and exploration prospect having significant potential for reserves ~4MMstb.
 - GA 213, with and exploration prospect having significant potential for reserves ~4MMstb.
- Interest in a large holding of highly prospective acreage onshore including the Slater Dome Gas Field, tested wells ready for tie in to existing production facilities, and numerous large oil and gas plays.
 - o **55% farm-in interest in to Green River Basin Assets and Acreage** in Colorado and Wyoming, a producing asset, producing an average 1.1MMcf per day with all existing wells on line, with independently certified 2P reserves of 35.2Bcf for the coal seam gas. In addition there are 2.258MMstb of oil and 7.592Bcf of gas in 2P reserves for hydrocarbons production at the Focus Ranch Unit within the property. Based on a successful 2009 drilling and work over campaign all reserves are being updated.



Entek Energy hydrocarbon assets in the project maturity timeline

Early Exploration (2D & 3D surveys and data interpretation)	Late Exploration (test-drilling)	Preparation for Production	In high-rate, full production	In low-rate, cyclical production
Investment	Investment	Investment	Returns	Low Returns
GA 212 & GA 213, HI A246	GA 133, WC 517, GB 115, MP 252, Focus Ranch Unit	Slater Dome Field, Focus Ranch Unit	High Island, well #1, Block 24-L	Lease ATP-269P, Eromanga Basin

Entek Energy portfolio and company premiums

- Entek Energy has revenue from production in the Gulf of Mexico and in Southwest Queensland, namely from producing JV High Island Block 24-L and from Lease ATP-269P. It expects a number of supplementary wells in production within the next 18 months, notably at the Slater Dome Gas Field and Focus Ranch Unit in the Green River Basin, and at GA A133, WC 517, and other Gulf of Mexico projects. This will enable Entek to considerably increase its revenue over the next two years.
- Entek Energy has concentrated its capital resources to “open the tap” on only the most efficient, safest projects such as the JV in High Island Block 24-L; this producing asset balances the current portfolio of exploration and near production assets. Much of the company’s future development will originate from autofinancing with increasing revenue from production and farming out the 100%-owned assets; thus the company has a relatively low-risk profile in terms of its ability to meet short-term expenditure.
- The Gulf of Mexico has attractive fiscal and regulatory terms for foreign oil and gas exploration companies, a strong regulation, good prospectivity, offers a breadth of sector-related services and suppliers, dedicated infrastructures at very competitive costs internationally. According to Entek management, costs of oil and gas exploration and development in the Gulf of Mexico could be five to ten times lower than in Australia on most lines of comparative analysis.
- The recent farmin to 55% taken in the onshore Green River Basin assets and acreage is a complimentary diversification in Entek’s portfolio both from the geographical point of view and from the point of view of providing long-term reserves, the types of plays and the oil to gas ratio of the target hydrocarbons. The Green River Basin is one of the USA’s most important and prospective hydrocarbon basins and has seen increasing activity and interest in recent years.
- Entek has strong and complementary management and governance, forming an all-around team for regulatory, financial and technical operations.
- Arrowhead BID feels there is significant opportunity for price stability, to growth, in oil through the next 5 years, given foreseeable supply and demand factors. There are significant arguments indicating a good future in terms of marketability and demand of petroleum products in general and oil in particular. For details on oil price forecasts, see *Technologies and Markets* below and *Key Variables* section of this report.

Entek Energy portfolio and company risks

- Entek Energy’s portfolio is concentrated in the exploration and development phase with noteworthy production nonetheless as of February 2010 and this revenue is expected to grow; this produces a low but existing financial risk for the first forecast years FY 2009, FY 2010, as revenue steps up. Still, with a good forecast market for petroleum products and straightforward plays and drill ready prospects in oil-country offshore Gulf of Mexico and onshore Green River Basin, which investors should understand, Arrowhead believes Entek Energy is secure given current equity and credit markets in the case of delays in the revenue forecast plan or unplanned capital expenditure increases.

Entek Energy corporate strategy

- Entek Energy focuses primarily on its core areas of operation in the Outer Continental Shelf of the Gulf of Mexico and onshore Green River Basin, Colorado and Wyoming. Entek targets low risk plays and prospects

which meet the companies economic hurdles. Management reviews new opportunities globally and presents projects that meet the Company’s qualification criteria to the Board for consideration.

- Management applies a rigorous asset assessment process, including considerations of preference for a mature petroleum province, ready access to and availability to support infrastructure; appropriately worked geological and geophysical evaluation utilizing regionally experienced expertise; and a commerciality modeling exercise.

Key trends for oil and gas

Key drivers for petroleum product market and prices: Petroleum products remain in many cases irreplaceable. This is especially the case with various types of liquid petroleum products which are as of yet the indispensable source of energy for most automotive (and aeronautical) transportation. This should remain a reality for another decade or two, as alternative sources of energy for automotive transportation are slowly demonstrated and rendered economic from a true mass-consumption point of view and adopted by the public in the variety of usage categories of automotive transportation (from cars to trucks).

Oil prices short-term stabilization and long term growth: Stockpile levels are expected to decline during 2009/10, stabilizing prices, with forecasted growth for 2010 and ahead.

For more details, see *Key Variable Analysis* section on pages 5-6 of the report.

Key variables which enter into Entek Energy revenue estimations

- **Variable 1** – Forecast price of oil over the forecast period 2009-2014: US\$59.94/stb in 2009, then growth:

	2010	2011	2012	2013	2014
Low estimate	15%	10%	10%	10%	10%
High estimate	25%	15%	15%	15%	15%

- **Variable 2** – Forecast price of natural gas over the forecast period 2009-2014: US\$5,000/MMcf in 2009, then growth:

	2010	2011	2012	2013	2014
Low estimate	2.5%	2.5%	2.5%	2.5%	2.5%
High estimate	5%	5%	5%	5%	5%

- **Variable 3** – Hypothesis for production rates at High Island through 2014: 20 to 40 MMcf/day of natural gas and 320 to 350 stb/day of condensate.
- **Variable 4** – Hypothesis for production rates at ATP-269 P through 2014: 25 to 35 stb/day of oil.
- **Variable 5** – Hypothesis for production rates at Main Pass through 2014: 6 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate.
- **Variable 6** – Hypothesis for production rates at Garden Banks through 2014: 6 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate.
- **Variable 7** – Hypothesis for production rates at Slater Dome Field CBM project through 2014: 1.5 to 2 MMcf/day of gas.
- **Variable 8** – Hypothesis for production rates at Green River Basin hydrocarbon project through 2014: 5 to 6 MMcf/day of natural gas and 80 to 160 stb/day of oil/condensate.
- **Variable 9** – Hypothesis for production rates at GA A133 through 2014: 5 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate.
- **Variable 10** – Hypothesis for production rates at WC517 through 2014: 7 to 10 MMcf/day of natural gas and 20 to 30 stb/day of condensate.
- **Variable 11** – US\$/AUS\$ exchange rates over the forecast period 2009-2014: 1.15 to 1.55.



Quarterly Activities Report as of 29th January 2010

Successful drilling activity at the Green River Basin, onshore USA – Entek drilled two wells in the Green River Basin during the Quarter, with both wells encountering numerous oil and gas intersections expected to deliver commercial production when tied into the existing production facilities. The wells are part of the Company's farm-in announced 26 June 2009 and executed 13 August 2009. The farm-in covers approximately 70,000 acres of highly prospective and productive leased acreage in the Green River Basin in Colorado and Wyoming in the USA.

Acquisition of four blocks with proven reserves and high prospectivity in the offshore Gulf of Mexico, USA – Entek announced on 20 August 2009, that it was high bidder on five Blocks in the Minerals Management Service (MMS) Federal offshore oil and gas lease sale for the Gulf of Mexico, held on 19 August 2009. Subsequent to that announcement on 29th October 2009, Entek announced that it had officially been awarded

GA A133 Block - Galveston Island Block A133. Entek estimates up to 24Bcf of proven, probable, possible and prospective resource on the Block.

On 11th November 2009, Entek announced it had been awarded three new Blocks:

WC 517 Block - West Cameron Block 517 is estimated by Entek to have up to 42.8 BCF of proven, probable, possible and prospective resource on the Block.

GA 212 Block - Galveston Area Block 212 has an oil discovery well on the block, and an exploration prospect on the same structure which could contain reserves up to 4.2 Million Barrels.

GA 213 Block - Galveston Area Block 213 (GA 213) is adjacent to GA 212 and has an exploration prospect which could contain reserves up to 4.9MMstb, on the same structural trend as GA 212 and with analogue production in GA 189 and GA 190.

Entek has initiated independent certification of the proven, probable and possible reserves on GA A133 and WC 517.

Production & Revenue – Production continued during the quarter from producing assets at High Island 24L Block offshore in the Gulf of Mexico and onshore in SW Queensland from Block ATP-269P.

Funding secured for developing proved resources in the Gulf of Mexico portfolio and in the Green River Basin - on 8th December 2009 Entek announced the execution of Option Underwriting and Placement Agreements which together have provided AUS\$11.78MM (before costs) via:

The underwriting of the exercise of the Company's 31st December 2009 options, which when exercised would raise AUS\$6.8MM (before costs).

Commitments to raise up to AUS\$4.978MM (before costs), through the placement of up to 24.890MM shares at AUS\$0.20 to sophisticated and institutional investors under Entek's existing 15% capacity.

News

- **Green River Basin – Battle Mountain 14-15 finds additional pay:** On December 22nd, 2009, Entek announced that Battle Mountain 14-15 well had been deepened from the previously announced Total Depth as the drilling was continuing to encounter significant oil and gas shows. The well was deepened to 7,680ft. Significant hydrocarbon shows were seen during drilling of the section immediately below the Niobrara. The well has now been completed with a 4 ½ inch liner set to total depth, and is awaiting testing and tie-in to production. The Robidoux 13-15T well is also awaiting further testing and tie-in to production.
- **Green River Basin – Recovery of oil From the Niobrara in the BM 14-15 Well:** On December 16th, 2009, Entek announced that Battle Mountain 14-15 well had reached a depth of 7,250ft after drilling through the highly anticipated Niobrara Formation. While drilling the Niobrara significant fractures were encountered and mudlog shows suggest zones of potential oil and gas pay. Oil was recovered from the mud pits along with elevated gas shows while drilling this section. The current operations are preparing to run wireline logs. Subject to confirmation of these zones as potential producing intervals, the well will be completed at this current depth. The rig will then be demobilized prior to commencing a production test over the Niobrara Formation. Entek tested both oil and gas from the Focus Ranch 12-1 in August 2009. Focus Ranch 12-1 has tested three zones within the Niobrara and all have tested at similar rates. The well awaits tie-in to production. The hydrocarbon pay estimated from the mudlog in the shallow section of the Battle Mountain 14-15 well has been confirmed by preliminary wireline log interpretation. Two pay zones have



- been identified for follow up testing and completion in the Isles Section. The Deep Creek Sandstone also has hydrocarbon pay (as it did in the recently drilled 13-15T well). There is also a possible pay zone in the Mancos Shale section which is being further evaluated.
- **Over 200 feet of hydrocarbon pay encountered at Battle Mountain 14-15 well:** on 8th December 2009, Entek Energy announced that the BM 14-15 well had encountered over 200ft of hydrocarbon pay, which was estimated from the mudlog shows.
 - **Oil & Gas Shows at Robidoux 13-15T well:** on 13th November 2009, Entek Energy announced that Robidoux 13-15T well had been drilled to 5,725 ft rotary table and had penetrated geologic sections as predicted. Good hydrocarbon shows were intersected in the well: gas charged coals were intersected in the Mesaverde Sequence; the Hatfield Sandstone had significant gas and oil shows; the Deep Creek Sand appeared gas charged with oil shows; the Mancos Formation was fractured and had good gas and oil shows
 - **Award of three new Gulf of Mexico Blocks:** on 11th November 2009, Entek Energy announced that it had been awarded three new Blocks by Minerals Management Service (MMS), US Department of the Interior.
 - West Cameron Block 517 (WC 517) is estimated by Entek to contain up to 42.8 Bcf of 3P and prospective resource.
 - Galveston Area Block 212 (GA 212) contains an oil discovery well, and an exploration prospect on the same structure which could contain reserves up to 4.2 MMstb. The Block has analogue oil production to adjacent Blocks GA 189 and GA 190.
 - GA 213 is adjacent to GA 212 and has an exploration prospect on the same structural trend as GA 212 and analogue production in GA 189 and GA 190, which could contain reserves up to 4.9 MMstb.Entek announced it would initiate independent certification of the 3P reserves on WC 517 and would initiate detailed studies on GA 212 and GA 213.
 - **Award of Galveston Island Block A133:** on 29th October 2009, Entek Energy announced that it had been awarded Galveston Island Block A133 (GA A133) by Minerals Management Service, US Department of the Interior. Entek estimates up to 24 Bcf of 3P and prospective resource on the Block. Entek has commenced negotiations with experienced Gulf of Mexico operators interested in participation in operating and fast track drilling of the Block. Entek will now initiate independent certification of the 3P reserves on the Block.
 - **Slater Dome Field progress:** on 31st August 2009, Entek Energy announced that operations had commenced and that the partners had achieved:
 - four work-overs on the Slater Dome Field. These wells were previously off-line and are now back on line, and will contribute to immediate production and revenue stream.
 - testing one zone of the Focus Ranch Unit 12-1 well that was previously inadequately tested. The result of additional perforations and propellant stimulation was a flow rate double of what was expected. Operations commenced on Focus Ranch well 12-1 on the 17th August 2009. Perforations were shot over a 30 ft interval of the Upper Niobrara section, in conjunction with propellant stimulation over new and existing perforations. The well was initially swabbed before it began to flow unaided. The well has continued to clean up, with the oil rate increasing. Final flow rate prior to shut-in was: gas rate - approx. 1.7 MMcf per day; oil rate - approx. 90 stb of oil per day; Flowing wellhead pressure was 550 - 600 psi.
 - **Entek high bidder on five more offshore Blocks in the Gulf of Mexico:** on 20th August, 2009, Entek Energy announced that Entek had been confirmed as high bidder on five blocks in the recent MMS Western Lease Sale 210 which closed on 19th August, 2009. Award of the blocks is subject to further review by the Minerals Management Service (MMS), however as all bids are in excess of the minimum bid level, it is anticipated the blocks will be officially awarded to Entek within 3 months by the MMS.
 - **Slater Dome Field Farm-in:** on 13th August 2009, Entek Energy announced a US\$12.5 MM farm-in agreement to acquire up to a 55% stake in New Frontier's interests in assets in Northern Colorado and Southern Wyoming, including the Slater Dome Gas Field (a producing coal bed methane field) and other undeveloped oil and gas reserves (Focus Ranch Unit) within approx. 66,000 highly prospective leased acres.
 - **Main Pass 252 – Reserves Update:** on 29th April 2009, Entek Energy announced that Ryder Scott Company has prepared an update to the estimate of the reserves for the Main Pass 252 Block (El Capitan Prospect). The Main Pass 252 Block was awarded to Entek's wholly owned subsidiary Entek USA General LLC following the Central Gulf of Mexico Planning Area Sale 206 held in March 2008. This update was requested



after additional pressure data was recovered by Entek from the Minerals Management Services, a division of the Department of Interior of the U.S. Government records. The new 2P reserve was 15,462MMcf of gas and 29,449bbls of condensate.

Listing and name information

Entek Energy Limited has been a listed equity on ASX (ticker: ETE) since August 20th, 2004.

Contacts

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Key variable analysis

Variable 1 – Price of crude oil over the forecast period 2009-2014

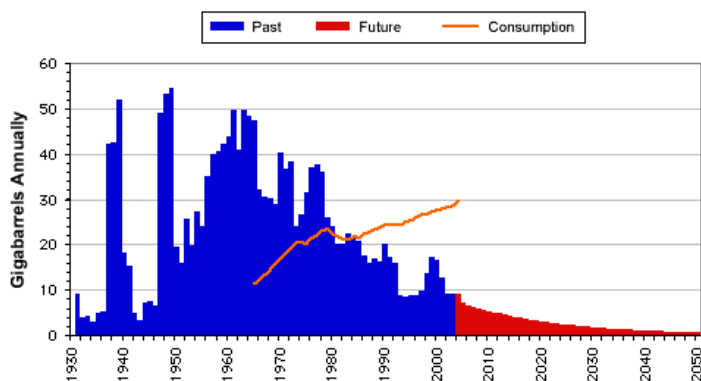


Table 1: Oil Discovery (3 year average - past and projected) 1930-2050^{vi}.

Despite important corrections since record highs on 11 July 2008^{vii}, Arrowhead believes that the average price of light sweet crude oil should increase substantially through 2014.

Volatility is important in oil & gas prices, in most part linked to the important and presently increased speculative movements on oil derivatives. But at the root of the issue and in terms of oil and gas sales and oil and gas supply, fundamentals are definitely excellent for steady growth in prices for the next five to ten years at least.

The following table provides the bracket estimates for annual growth of oil prices used in the valuation, starting from a forecast average US\$ 59.94 per barrel in 2009:

	2010	2011	2012	2013	2014
Low estimate	15%	10%	10%	10%	10%
High estimate	25%	15%	15%	15%	15%

Variable 2 – Price of natural gas over the forecast period 2009-2014

The price of natural gas in some local markets has suffered considerably with the build-up of stocks during recession years 2008-09. In this valuation the price of natural gas is understood as the international NYMEX natural gas futures price per MMcf in US\$, which has suffered slightly less than these local markets. With most of its assets in the U.S., Entek's projects are expected to sell at or close to this price.

An average price of US\$5,000 per MMcf for natural gas can be expected for 2009^{xi}. Low estimates will have that average price growing by 2.5% every year through 2010-2014, but a higher realistic estimate is that the average price of natural gas should grow on average 5% every year through 2010-2014.

The following table provides the bracket estimates for annual growth of natural gas prices used in the valuation, starting from a forecast average US\$12,110 per MMcf in 2009:

	2010	2011	2012	2013	2014
Low estimate	2.5%	2.5%	2.5%	2.5%	2.5%
High estimate	5%	5%	5%	5%	5%

Demand can be expected to pick up in 2010, with a number of structural reasons for demand to remain growing well into the next decade. As excess inventories, at periods encouraged by contango effects, shore up prices should rise again.

Chinese and Indian growth will add strain as well as traditional growth in demand from North America and Europe. Other large accelerating economies throughout the world are expected to contribute to a stable to accelerating growth in demand (i.e. Brazil, Turkey, Indonesia).

Demand for fossil fuels themselves is expected to stay high, with replacement technologies in many usage segments still costly and far ahead in time. Stability in oil & gas consumption in OECD countries for 2009-14 (a 0% growth for these regions – a very conservative target) would only dent global strain on demand for oil & gas.

An average price of US\$59.94 a barrel for light sweet crude oil can be expected for 2009^{viii}. Low estimates will have that average price growing by 10% every year through 2010-2014, but a higher realistic estimate is that the average price of crude oil should grow 25% in 2010 and on average 15% every year through 2011-2014. Even this high estimate makes for a much slower growth rate than that observed over 2006-2008^{ix}.

Variable 3 – Hypothesis for production rates at High Island through 2014

Arrowhead understands High Island should continue to produce 20 to 40 MMcf/day of natural gas and 320 to 350 stb/day of condensate through the first half of 2014.

Variable 4 – Hypothesis for production rates at ATP-269 P through 2014

Arrowhead understands Entek Energy should continue to produce 25 to 35 stb/day on its SW Queensland lease through 2014.

Variable 5 – Hypothesis for production rates at Main Pass through 2014

Arrowhead understands Main Pass should produce 6 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate through 2014, starting in the first half of 2010.

Variable 6 – Hypothesis for production rates at Garden Banks through 2014

Arrowhead understands Main Pass should produce 6 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate through 2014, starting in the first half of 2011.

Variable 7 – Hypothesis for production rates at Slater Dome Field CBM project through 2014

Arrowhead understands Entek Energy should produce 1.5 to 2 MMcf/day of natural gas at Slater Dome Field through 2014, starting in the first half of 2010.

Variable 8 – Hypothesis for production rates at Green River Basin hydrocarbons project through 2014

Arrowhead understands Entek Energy should produce 5 to 6 MMcf/day of natural gas and 80 to 160 stb/day of condensate on the Green River Basin through 2014, starting in the first half of 2010.

Variable 9 – Hypothesis for production rates at GA A133 through 2014

Arrowhead understands Entek Energy should produce 5 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate on the Green River Basin through 2014, starting in the first half of 2011.

Variable 10 – Hypothesis for production rates at WC517 through 2014

Arrowhead understands Entek Energy should produce 7 to 10 MMcf/day of natural gas and 20 to 30 stb/day of condensate on the Green River Basin through 2014, starting in the first half of 2011.

Variable 11 – US\$/AUS\$ exchange rates over the forecast period 2009-2014

Since Entek Energy's revenues are extremely sensitive to the international price of oil and to the US price of natural gas, both of which are priced in US\$, and since Entek is listed in AUS\$ and operates mainly in the United States, the currency factor is important. A historical benchmark low value for the years ahead is 1.15, while 2008-09 trading levels around 1.40-1.55 can be seen as a high value.

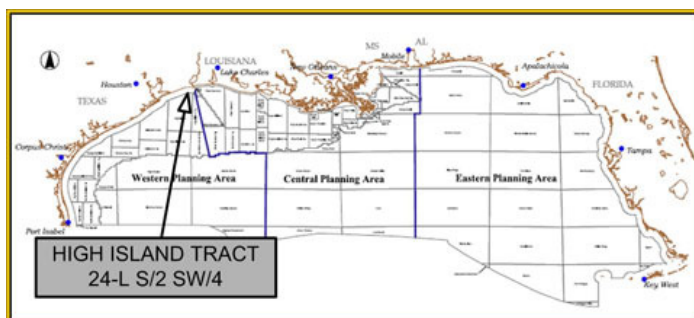
A variety of issues are on watch, including the relative good performance of the Australian economy and Australian interest rates which have been lowered slowly through the financial crisis and which could find themselves at lower or higher levels over the forecast period.

The exchange rate should establish itself within a 1.15 - 1.55 bracket.

Assets & Projects^x

Oil and gas development and production projects

Entek Energy Ltd. possesses interest in two production assets, which currently create revenue for the company: the High Island offshore gas producing asset in the Gulf of Mexico; and an onshore lease in the Eromanga Basin in Southwest Queensland. Both of these assets are under evaluation by the respective JVs as to methods for maximizing field efficiency.



High Island (four contiguous leases in Blocks 24-L, 25-L and 32-L)

Shallow offshore Gulf of Mexico, Texas State waters

Entek interest in Blocks and production wells: **5%**

Resource

Initial total recoverable 2P reserves of **~90Bcf**. Some 55Bcf of these are remaining as of November 2009.

Production commenced on 18th October 2007.

Production to date **~32Bcf of gas**
(Oct. '07 – Jul. '09) **~245,000stb of condensate**
(Rate: ~49MMcf/day)

Exploration and appraisal wells

The JV drilled on Block 24-L S/2 SW/4 in July 2006 and subsequently on contiguous Block 24- L, N/2 SW/4 in January 2007. Each well tested successfully, resulting in

two discoveries, at a distance of about 1,090m from one another.

Following the initial discovery in July 2006, the JV bid on three contiguous blocks and Entek currently retains the following interest:

Lease #	Area (Acres)	Working interest
Lease No. M-106410, High Island Block 24-L S/2 SW/4 (Discovery Well No.1)	720	5.0%
Lease No. M-107044, High Island Block 24- L, N/2 SW/4 (Discovery Well No.2)	720	5.0%
Lease No. M-107045, High Island Block 25- L S/2 SE/4	720	5.0%
Lease No. M-107046, High Island Block 32- L, N/2 NW/4	720	5.0%

Current production engineering

Gas production is from two wells on adjoining blocks connected by an 8" pipeline and conveyed from the main platform via a 10" pipeline to a gas sales line.

Future work programs

Entek management expects the JV to optimize field producing efficiency in the years ahead on the basis of 3.5 – 4.5 years of remaining full-cycle production.

Lease ATP-269 P (18 graticular blocks)

Onshore Eromanga Basin, Southwest Queensland, Australia

Entek interest in Blocks and production wells: **28.15%**

JV Partners

Beach Petroleum Ltd (Operator) – 46.95%
IOR Energy – 20.00%
Santos Limited – 4.90%

Resource

Risked mean recoverable resource of 2.58MMstb.

Current production rate **~30stb/day** of oil

During 2007 Entek achieved success by participating in exploratory drilling, with two oil discoveries in the three well program. The considerable prospect inventory in the Block would suggest potential for



further discoveries on trend with existing production and discoveries.

Exploration and appraisal wells

Byrock-2: Oil discovery producing at the rate of approximately 60bpd of oil.

Coolum-1: Well established oil production well, currently producing at ~15stb/d of oil.

Marcoola-1: Production startup in 2008.

Warragon-1 Oil discovery in July 2007, awaiting further evaluation.

Work plan

3D seismic program scheduled for early 2010 to delineate additional drilling locations.

Oil and gas exploration assets

Entek possesses interest in a number of oil and gas exploration assets, in offshore blocks in shallow and deep waters in the Gulf of Mexico.

A number of targets have been identified within these assets. These targets include the *El Capitan* production target at Main Pass in Block 252, with 2P reserves of 15,462MMcf of gas and 29,449stb of condensate as of Q4 2009, the *Cascade* production target at Garden Banks in Block 115, with a recoverable resource estimate of 21.5Bcf as of Q4 2009; and a gas production target identified in Block A246 with potential to hold 11.8Bcf.

Main Pass - Block 252

Shallow waters, Gulf of Mexico

Entek interest in Main Pass currently **77.25% NRI** will be farmed out to ~40%

Reserves

2P reserves estimated (Ryder Scott Company) at **~15Bcf of gas** and **29,449 barrels of condensate.**

3P reserves estimated at **~25Bcf of gas** and **55,000 barrels of condensate.**

Location and geology

The prospect is located in 253 ft of water. and contains a

proven, but incompletely produced gas reservoir (*ElCapitan* prospect) at a relatively shallow depth of ~8,000 ft ("L" reservoir); in addition to a second, proven natural gas reservoir at ~ 6,900 ft. The prospect was defined by: 3D seismic; 9 well penetrations; production history and pressure data from the "L" reservoir.

Analogous production in the "L" reservoir in adjacent block MP 255, has produced in excess of 290Bcf and is currently producing.

Production commencement

Entek is in advanced discussions with farm-in partners to finance this development.

Garden Banks – Block 115

Shallow waters, Gulf of Mexico

Entek interest in Garden Banks currently **~80% NRI** likely to be farmed out to ~40%

Entek estimate on reserves

Recoverable resource estimate of **~21.5Bcf.**

Location and geology

The *Cascade* prospect is a ready-to-drill exploration play. The prospect is technically robust, with direct hydrocarbon indicators; amplitude anomaly; flat spot & down-dip

conformance. Numerous seismic tests in the area (utilizing Western Geco 3D) exhibited good reservoir characteristics. The *Cascade* prospect is surrounded by analogous production totalling 215Bcfe; the most geologically similar is the Hess development in GB 158, which has proved reserves comparable to the *Cascade* prospect.

Drilling and production commencement

Entek is currently negotiating with an experienced Gulf of Mexico operator. Garden Banks should be ready for drilling and production in 2011, depending on the success of farm-outs.



High Island – Block A246

Shallow waters, Gulf of Mexico

Entek interest in High Island A246 ~80% NRI
likely to be farmed-out

Entek estimate on reserves

Entek estimates that the block has shallow potential for up to **12Bcf of gas**.

Location and geology

The block sits in the Deep Gas Reservoir's sweet spot.

Numerous deep gas prospects have been successfully drilled by operators in the area. Deep gas on the shelf represents an underexplored play with potential for significantly larger reserves than the more intensively explored shallow plays.

Development plan

Entek plans to work up the deep gas potential on the block. Entek will seek a farm-in partner if warranted after evaluating the full potential of the block.

Galveston – Block GA A133

Shallow waters, Gulf of Mexico

Entek interest in Block GA A133 ~80% NRI
likely to be farmed-out

Entek estimate on reserves

Entek estimates **up to 24Bcf of gas** of 3P and prospective

resource on the block. Arrowhead assumes the reserve potential should be > 12 Bcf.

Development plan

Entek will have the 3P reserves on the block independently certified. Entek is negotiating with an experienced Gulf of Mexico operator for participation.

West Cameron – Block WC 517

Shallow waters, Gulf of Mexico

Entek interest in Block WC 517 ~80% NRI
likely to be farmed-out

Entek estimate on reserves

Entek estimates **up to 42.8Bcf of gas** of 3P and prospective resource on the block. Arrowhead assumes the reserve potential should be > 30 Bcf.

Location and geology

WC 517 only requires a single well development, and is within easy tie-back to infrastructure, which should allow Entek to proceed rapidly to production.

Development plan

Entek will have independent certification of estimated reserves commenced immediately and expects that the Block will easily attract an operator and partners.

Galveston – Blocks GA 212 and GA 213

Shallow waters, Gulf of Mexico

Entek interest in Blocks GA 212 and 213 ~80% NRI

Entek estimate on reserves

Block **GA 212** has potential up to **4.2MMstb of oil**.
Block **GA 213** has potential up to **4.9MMstb of oil**.

Location and geology

These blocks are adjacent, with exploration prospects in

each block, which are on the same structural trend. GA 212 has an oil discovery well on the block. Both blocks have analogous oil production to adjacent Blocks GA 189 and GA 190.

Development plan

Entek plans to work up the deep gas potential on the block. Entek will seek a farm-in partner if warranted after evaluating the full potential of the block.

Onshore U.S. Coalbed Methane (CBM) and oil and gas exploration and development asset

In August 2009, Entek farmed-in to New Frontier Energy Inc.'s interest in a large acreage portfolio (approx. 66,000 acres) in the Green River Basin in Colorado and Wyoming. The acreage portfolio includes the Slater Dome Gas Field, a producer of CBM gas and associated infrastructure and the Focus Ranch Oil & Gas Unit, which is an advanced exploration asset for oil and gas production.

Slater Dome Field and adjoining assets

Green River Basin, Colorado and Wyoming

Entek interest earning: **up to 55%**

Location and geology

The play types include CBM, conventional sandstones and naturally fractured reservoirs.

CBM potential exists in the coal measures within the Mesaverde Group and is extensive throughout the held acreage and AMI area.

Naturally fractured reservoirs exist within the Niobrara and Mancos formations, enhanced by volcanic intrusions as evidenced by the production in the southeast from Focus Ranch 12-1 well, the production from the Kirby wells within the Focus Ranch Unit and the production from the Sierra Madre Field to the northwest.

Conventional sandstone targets exist in numerous sandstones, including the Frontier Sandstone, Deep Creek Sandstone, and Dakota Sandstone. The Frontier Sandstone has been successfully tested in the Focus Ranch 12-1 well and produces from numerous fields regionally. The Deep Creek and Shannon Sandstones produce oil and gas from the Savery Field and Sierra Madre Field adjacent to the leased acreage.

Work completed so far

Entek performed work-overs of wells on the Slater Dome

Field and a successful test of oil and gas from the Focus Ranch 12-1 well. The drilling of the Robidoux 13-15T and Battle Mountain 14-15 wells was a continuation of the farm-in program and both have yielded good results (see *News* section of the report).

Slater Dome Field characteristics

The field is in production, averaging 1.1MMcf/d with all existing wells on line. Existing CBM production from the extensive coal measures within the Mesaverde Group.

Independently Certified Reserves Proven Reserves: 15.6Bcf and 2P reserves of 35.2 BCF.

Additional Resources of 234 BCF of 3P reserves associated with the Slater Dome Gas Field (for 500 well locations).

Focus Ranch Unit characteristics

Certified 2P Reserves: 2.258MMstb of oil and 7.592Bcf of natural gas, based on previous Focus Ranch 12-1 well tests.

An additional zone was tested in the Focus Ranch 12-1 well in August 2009, which stabilized around 1.6MMcf/d and 100stb/d. Focus Ranch 3-1 well is drilled and ready for testing. Prospective Resources associated with the Niobrara Formation and Frontier Sandstone within the Focus Ranch Unit are 336Bcfe (for 24 well locations).

Management and Governance

The Management and Governance team is composed of a balance of experienced engineers for operations and accomplished practitioners of oil and gas project finance, institutional and market financing for mining assets and regulatory issues.

Craig Ian McGown

Non-Executive Chairman

Craig McGown is an Investment Banker with more than 35 years experience in capital raisings and mergers and acquisitions throughout Australia and internationally, particularly in the natural resources sector. He brings to the Board a comprehensive knowledge of the equity markets and financing of projects in relation to resource companies. He is currently an Executive Director of New Holland Capital Pty Ltd., the corporate advisory and investment banking business associated with the Taurus Group/Taurus Funds Management. He is also a Non-Executive Chairman of Pioneer Nickel Ltd. and a Non-Executive Director of Bass Metals Ltd. and Peel Exploration Ltd. Mr. McGown was formerly the Executive Chairman of DJ Carmichael Pty Ltd. and an Executive Director of Resource Finance Corporation Ltd.

Russell Ernest Brimage

Chief Executive Officer, Executive Director

Russell Brimage has in excess of 30 years experience in the upstream oil and gas industry. He was a founding Director of Oilserv Australia Ltd., a company providing drilling, well testing and production services. Prior to joining Entek Energy he was Chief Executive of Western Resources NL and General Manager of a Western Australian gas field operator. Mr. Brimage is also an executive director of Lion Energy Ltd.

David Anthony Craig

Non-Executive Director

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 specialized 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 stock-broking and investment banking 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.

Andrew J Padman

Non-Executive Director

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 S.E. Asia and the UK North Sea and most of the basins of Australia and New Zealand, with some experience in the Gulf Coast, USA. After 11 years working internationally, Mr. Padman returned to Australia and was employed by Woodside Petroleum as a geophysical technical specialist. From 1996 to early 2008, Mr. Padman has 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 SE Asian region. Mr. Padman has the technical expertise to drive and manage Entek Energy's exploration activities. He is now a prime facilitator in the process of guiding Entek through its future growth plans and asset-enrichment opportunities at a time when exploration activity is increasing worldwide as a result of strong global demand for oil and gas.



Trent Spry

General Manager

Trent has obtained his geotechnical qualifications and experience working directly for BHP Petroleum and Woodside Energy and as a consultant providing services to other major operators globally. Trent has considerable advisory and management experience gained through management positions and directorships in consultant groups Spry Geoscience, ECL Australia/Asia and RPS Energy. His broad regional experience includes the Gulf of Mexico in the USA where Entek has production and continues its exploration efforts to expand its production portfolio and reserves base. Qualifications: University of Adelaide, Bachelor of Science, Double Major Geology & Biochemistry. National Centre of Petroleum Geology & Geophysics (NCPGG), First Class Honors, 1993.

Andrew Gastevich

Company Secretary, Chief Financial Officer

Andrew Gastevich is a Chartered Accountant with over 20 years experience. He worked with Ernst & Young Chartered Accounts for eight years before forming his own Chartered Accounting practice, which he operated for a further eight years. Mr. Gastevich then held a senior position at Australia's largest privately owned Iron Ore Mining company, before becoming the Chief Financial Officer and Chief Operating Officer for a national group involved in the provision of professional services to both business and government. Mr. Gastevich obtained a Bachelor of Business from Curtin University in 1985 and completed a Post Graduate Diploma in Business at Curtin University in 1992. He is a Member of the Institute of Chartered Accountants and the Taxation Institute of Australia, and is a Registered Tax Agent.

Value

The Fair Market Value for all of Entek Energy's shares stands between AUS\$155.563MM and AUS\$263.329MM.

The Fair Market Value for one of Entek Energy's publicly traded regular shares stands between AUS\$0.691 and AUS\$1.169.

Entek Energy Balance Sheet Forecast

**CONSOLIDATED
BALANCE SHEET**

*all figures in '000 Aus\$,
unless stated differently*

Low bracket estimates

<i>year beginning July 1st</i>	2008A	2009E	2010E	2011E	2012E	2013E	2014E
Total Current Assets	8,644	13,228	32,130	58,850	85,204	111,615	138,774
Total Non-current Assets	4,448	5,315	6,374	7,644	8,406	9,244	10,166
TOTAL ASSETS	13,093	18,543	38,504	66,493	93,610	120,859	148,940
Total Current Liabilities	367	594	1,530	2,126	2,084	2,102	2,171
Total Non-current Liabilities	127	127	127	127	127	127	127
TOTAL LIABILITIES	494	722	1,658	2,254	2,211	2,230	2,299
Total Shareholder's Equity	12,598	17,821	36,846	64,240	91,399	118,629	146,642
TOTAL LIABILITIES & EQUITY	13,093	18,543	38,504	66,493	93,610	120,859	148,940

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent depending on the subsectors in which the research is conducted, but all Arrowhead valuation research possesses an underlying set of common principles and a generally common quantitative process.

With Arrowhead Commercial and Technical Due Diligence, Arrowhead extensively researches the fundamentals, assets and liabilities of a company, and builds solid estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earning ratios, indicated as applicable, are present mainly for reference purposes. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

Elements of comparison such as multiple analyses may be to some limited extent integrated in the valuation on a project-by-project or asset-by-asset basis. In the case of this Entek Energy report, there are no multiple analyses integrated in the valuation.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analysis, such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to those projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a tool for valuation.

In principle an investor who is comfortable with the high-brackets of our key variable analysis will align with the high-bracket in the Arrowhead Fair Value Bracket, and likewise in terms of low estimates. The investor will also take into account the company intangibles – as presented in the first pages of this document in the analysis on strengths and weaknesses and on other essential company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in the investor’s own analysis.

The bracket should be understood as a tool provided by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand one the one hand that global capital markets contain inefficiencies, especially in terms of information, and that on the other hand corporations and their commercial and technical positions evolve rapidly: this present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months). The reader should refer to important disclosures on page 19 of this report.

Information on Entek Energy valuation

The Arrowhead fair valuation for Entek Energy is based on a discounted cash flow method. The time period chosen for the valuation is 56 months (2009-2014).

Terminal Value is estimated to depend on a terminal growth rate of 0%, representing the emptying of reserves in High Island and other assets in or close to production, as well as the rising marginal cost of replacing expended assets – i.e. comparable oil and gas assets should normally be relatively more expensive to acquire in time, as the best and easiest assets are expended, and assets become rarer.

It should be noted that this Arrowhead Fair Value Bracket estimate is a relatively prudential estimate, as it also discounts the eventuality of any of Entek’s projects and assets other than High Island, SW Queensland, Slater Dome, Main Pass coming to market and producing revenue before 2014.

The upper and lower bounds in the estimation correspond to the extreme positions taken by the following nine key variables, of which two are commodity price forecasts, one is an exchange rate forecast and the remaining six are production forecasts for six producing or near-production Entek assets:

- **Variable 1** – Forecast price of oil over the forecast period 2009-2014: US\$59.94/stb in 2009, then growth:

	2010	2011	2012	2013	2014
Low estimate	15%	10%	10%	10%	10%
High estimate	25%	15%	15%	15%	15%

- **Variable 2** – Forecast price of natural gas over the forecast period 2009-2014: US\$5,000/MMcf in 2009, then growth:

	2010	2011	2012	2013	2014
Low estimate	2.5%	2.5%	2.5%	2.5%	2.5%
High estimate	5%	5%	5%	5%	5%

- **Variable 3** – Hypothesis for production rates at High Island through 2014: 20 to 40 MMcf/day of natural gas and 320 to 350 stb/day of condensate.
- **Variable 4** – Hypothesis for production rates at ATP-269 P through 2014: 25 to 35 stb/day of oil.
- **Variable 5** – Hypothesis for production rates at Main Pass through 2014: 6 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate.



- **Variable 6** – Hypothesis for production rates at Garden Banks through 2014: 6 to 7 MMcf/day of natural gas and 20 to 30 stb/day of condensate.
- **Variable 7** – Hypothesis for production rates at Slater Dome Field CBM project through 2014: 1.5 to 2 MMcf/day of gas.
- **Variable 8** – Hypothesis for production rates at Green River Basin hydrocarbons project through 2014: 5 to 6 MMcf/day of natural gas and 80 to 160 stb/day of oil/condensate.
- **Variable 9** – Hypothesis for production rates at GA A133 through 2014: 5 to 7 MMcf/day of natural gas and 30 to 60 stb/day of condensate.
- **Variable 10** – Hypothesis for production rates at WC517 through 2014: 7 to 10 MMcf/day of natural gas and 30 to 60 stb/day of condensate.
- **Variable 11** – US\$/AUS\$ exchange rates over the forecast period 2009-2014: 1.15 to 1.55.



Analyst certifications

I, Thomas Renaud, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security and the subject company.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2009 and 2010 from Entek Energy, Ltd. for researching and drafting this report and for a series of other services to Entek Energy including distribution of this report and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in Entek Energy or in any other company in the oil and gas sector.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of Arrowhead BID's judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary.

Investors are advised to gather and consult multiple sources of information while preparing their investment decisions. Recipients of this report are strongly advised to read the *Information on Arrowhead Methodology* section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision taking process.

Past performance of securities described directly or indirectly in this report should not be taken as an indication or guarantee of future results. The price, value of, and income from any of the financial securities described in this report may rise as well as fall and may be affected by simple and complex changes in economic, financial and political factors.

Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

This report is published solely for information purposes, and is not to be considered in any case as an offer to buy any Entek Energy, Ltd. securities nor any other security, in any state.

Other than disclosures relating to Arrowhead Business and Investment Decisions, LLC, the information herein is based on sources Arrowhead BID believes to be reliable but is not guaranteed by Arrowhead BID and does not purport to be a complete statement or summary of the available data.

Arrowhead Business and Investment Decisions, LLC is not responsible for any loss, financial or other, directly or indirectly linked to any price movement or absence of price movement of the securities described in this report.



Valuation

Figures are in thousands AUS\$, unless indicated otherwise.

WACC

Risk-free rate	5.39%	^{xi}
Beta	1.01	^{xii}
Risk premium	7.8%	^{xiii}
Additional Risk Premium	2.5%	^{xiv}
Cost of Equity	15.79%	
Terminal Growth Rate	0%	^{xv}

KEY VARIABLES

	Forecast oil and gas prices 2009-2014 (in US\$)	Hypothesis for prod. at various assets	US\$ / AUS\$ exchange rate
Max value	See chart in <i>Key Variables Analysis</i> section	See chart in <i>Key Variable Analysis</i> section	1.55
Min value			1.15

Time Period ---->	0.50	1.50	2.50	3.50	4.50	5.50
Year beginning 1 st July	2009E	2010E	2011E	2012E	2013E	2014E
FCFE (High)						
Net cash from operation	9,867	28,630	42,128	42,254	43,655	46,704
Capital Expenditure	(882)	(1,058)	(1,270)	(762)	(838)	(922)
Net Debt Addition	-	-	-	-	-	-
Free Cash Flow to Equity	8,985	27,572	40,858	41,492	42,817	45,782
Discount Factor	0.93	0.80	0.69	0.60	0.52	0.45
Present Value of FCF	8,350	22,128	28,319	24,836	22,133	20,438
FCFE (Low)						
Net cash from operation	5,609	17,933	26,249	25,989	26,013	26,735
Capital Expenditure	(882)	(1,058)	(1,270)	(762)	(838)	(922)
Net Debt Addition	-	-	-	-	-	-
Free Cash Flow to Equity	4,727	16,875	24,979	25,227	25,175	25,813
Discount Factor	0.93	0.80	0.69	0.60	0.52	0.45
Present Value of FCF	4,393	13,543	17,313	15,100	13,013	11,523

ARROWHEAD FAIR VALUE BRACKET

	High	Low
Terminal Value (TV)	289 887	163 443
Present Value of TV	129 413	72 965
Present Value of FCF	126 204	74 886
Present Value of FCF + TV	255 617	147 851
+ Cash	7 712	7 712
Equity Value Bracket	263 329	155 563
Shares on issue	225 190 000	225 190 000
Fair Share Value Bracket	AUS\$ 1.169	AUS\$ 0.691
Current Market Price	AUS\$ 0.210	AUS\$ 0.210
Current Market Cap. (AUS\$)	47.290 MM	47.290 MM
Target Market Cap. Bracket (AUS\$)	263.329 MM	155.563 MM

^{xvi} ^{xvii} *undiluted*

Notes and references

- i Source: ASX.com detailed quote.
- ii 52 weeks to February 24th, 2010. Source: Google Finance, February 24th, 2010.
- iii 3 months to February 24th, 2010. Source: Yahoo! Finance, February 24th, 2010.
- iv See *Key Variables* section of the report.
- v Arrowhead Business and Investment Decisions Fair Value Bracket – AFVBTM. See information on valuation on pages 16-20 of this report and important disclosures on page 19 of this report.
- vi Source ASPO (The Association for the Study of Peak Oil) – <http://www.peakoil.net/>, October 5th, 2008.
- vii Light sweet crude reached US\$147.27 per barrel on NYMEX on July 11th, 2008. After heavy corrections into December 2008, in December 2008 and January and February 2009, light sweet crude traded around US\$40 per barrel on NYMEX. After increases in prices in March and April 2009, NYMEX trading for light sweet crude has stabilized trending upwards, slightly below US\$80 per barrel.
- viii <http://www.eia.doe.gov/steo> - August 2009 EIA Short-Term Energy Outlook.
- ix Oil growth over the 2-year period leading to August 10th, 2008 was 24.54% annually, from prices on August 10th, 2006 that were yearly highs at \$74.2 to prices of \$115.11 on August 10th, 2008, in the midst of already considerable corrections that had occurred during July and August 2008.
- x All assets and projects information is sourced from Entek Energy corporate website, financial documents and management disclosures.
- xi This is the 10-year Australian treasury rate on February 5th, 2010. Source: www.bloomberg.com, retrieved February 5th, 2010.
- xii Source: The 1.01 beta used in the valuation is the average unlevered beta for comparable enterprises in the petroleum (integrated) sector, sourced from NYU Stern Research, 2009 – http://pages.stern.nyu.edu/~adamodar/New_Home_Page/datafile/Betas.html.
- xiii Source: Arrowhead BID estimate.
- xiv Source: Arrowhead BID estimate.
- xv Source: Arrowhead BID estimate.
- xvi Cash position on June 30th, 2009. Source: Entek Energy Annual Report to June 30th, 2009, released September 30th, 2009.
- xvii Number of shares on issue on ASX – Source: Google Finance, retrieved February 5th, 2010.