



Consolidated Financial Report for the Half-Year
to 31 December 2007

ENTEK ENERGY LIMITED
CORPORATE DIRECTORY

DIRECTORS: Russell Brimage (Chairman)
Paul Garner
Ian Sandover

COMPANY SECRETARY: Jack Hugh Toby FCA AACS

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DIRECTORS' REPORT

The directors of Entek Energy Limited A.C.N. 108 403 425 ("Parent Entity" or "Company") present their report including the consolidated financial report of the Company and its controlled entities ("Consolidated Entity or Group") for the half-year ended 31 December 2007. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Russell Brimage
Paul Garner
Ian Sandover

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$3,788,267.

SIGNIFICANT CHANGES AND REVIEW OF OPERATIONS

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

On 6 July 2007, the Company announced that the WARRAGON-1 exploration well had spudded on 5 July 2007. This is the final well in a three well drilling program for ATP269P and WARRAGON-1 is located approximately 18 kilometres northeast of Eromanga in SW Queensland. The total depth is 1,992 metres and is expected to take 14 days to drill and assess. WARRAGON-1 is a follow-up to MT BELLALIE-1 drilled in 1984, which exhibited encouraging hydrocarbon shows. The MT BELLALIE-1 well was drilled off crest and the follow-up well WARRAGON-1 will be drilled 1 kilometre to the south-east. Primary Objectives are the Basal Jurassic, with a probabilistic resource assessment estimated mean recoverable oil reserve of 1.33 MMB, and the Toolachee Formation, with probabilistic resource assessment estimated mean recoverable oil reserve of 0.56 MMB. Secondary objectives are the Patchawarra Formation and the Hutton Sandstone.

On 12 July 2007, the Company announced that the Company's wholly owned subsidiary is a participant in the development of gas processing facilities currently under fabrication / installation in the Gulf of Mexico in High Island Blocks 24-L (S/2 SW/4) and 24- L, (N/2 SW/4). A platform had been set on the original discovery tract HI-24L (S/2 SW/4). A platform currently in the yard onshore will be ready to be shipped and set on tract HI-25L (N/2 SW/4) in August 2007. The 10" pipeline to tie the gas production to the market had been fabricated and was being laid. The 8" sub-sea pipeline (laid between the two wells) had been installed. Subject to the remaining operations being trouble free and without weather interruption, production startup is expected in September 2007. Entek's initial revenue stream from production is forecast at between A\$7 – A\$8 million annually after royalties.

The Company initiated legal proceedings against Impress (Cooper Basin) Pty Ltd (formerly Tacnas Pty Ltd) ("Tacnas") for the recovery of a payment of A\$500,000 made by the Company to Tacnas in 2004.

On 31 July 2007, the Company issued 11,806 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 11,806 options expiring on 31 December 2009.

On 20 August 2007, the Company issued 2,353 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 2,353 options expiring on 31 December 2009.

On 18 September 2007, the Company announced the outcome of a 3 well drilling program in the ATP269P joint venture in which it has a 28.15% interest. The Marcoola-1 well had been completed down-hole with surface production facilities being installed. Production from the Hutton Sandstone formation was anticipated to commence during November 2007. It was anticipated that a workover rig will move over the Warragon-1 well in early October 2007 to run tubing into the well with Tubing Conveyed Perforating equipment. Byrock-2 commenced production in August 2007 and appears to have stabilized at approximately 60 BOPD. However further adjustments are to be made to the rate as downhole fluid levels stabilize.

DIRECTORS' REPORT

On 21 September 2007, the Company announced that two wells drilled into the High Island 24-L prospect in the Gulf of Mexico, in which the Group has a 5% interest, confirmed the discovery of the High Island Block 24 Field. The Company requested Ralph E Davis Associates, Inc. (Davis) of Houston to prepare an estimate of the oil and natural gas reserves to determine future net revenue specifically associated with the above two wells (the Report). The Report includes Davis' estimate of net present value from the combined leaseholds of approximately A\$23.288 million.

On 27 September 2007, the Company issued 1,350,000 fully paid ordinary shares at 10 cents per share pursuant to the exercise of 1,350,000 options expiring on 30 December 2008 and 2 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 2 options expiring on 31 December 2009.

On 2 October 2007, the Company announced that would shortly start receiving a substantial revenue stream, based on an assessment of the value of its resources at High Island 24-L in the Gulf of Mexico with production due to commence in October 2007, and with recent new developments on its SW Queensland holdings.

On 8 October 2007, the Company announced that the Group the Company was the high bidder on the block Garden Banks 115 (Cascade prospect) at the Central GOM lease sale 205 on October 3rd 2007 with a bid of US\$460,088.

On 18 October 2007, the Company issued 1,125,000 fully paid ordinary shares at 10 cents per share pursuant to the exercise of 1,125,000 options expiring on 30 December 2008.

On 23 October 2007, the Company announced that production had commenced on High Island 24-L Block in the Gulf of Mexico on 18 October 2007 USCST.

On 7 November 2007, the Company announced that the Group had farmed into two Blocks in the outer continental shelf of the Gulf of Mexico – blocks A300 and A301, located in the High Island Area, East Addition, South Extension. The prospect is named the Big Ugly Fat Boy (BUFB) and the Group would earn a 15% Working Interest in the Blocks by paying 20% of the first well to casing point. Thereafter, the Group's participation cost would revert to 15%.

On 12 November 2007, the Company announced that on November 9th 2007, Entek's wholly owned US subsidiary Entek USA Inc. entered into a Purchase and Sale Agreement with Velocity Oil & Gas Inc., a Nevada corporation, to sell its 100% membership interest in South Marsh LLC (South Marsh). South Marsh holds the Group's interest in OCS-G 27091, Block 152, South Marsh Island Area, South Addition (15%), OCS-G 27089, Block 138, South Marsh Island Area, South Addition (11.25%), OCS-G 26560, Block A 307, High Island Area, East Addition, South Ext (10%), OCS-G 26190, Block 79, Viosca Knoll Area (10%), OCS-G 27078, Block 317, Vermilion Area, South Addition (10%). Under the terms of the Purchase and Sale Agreement, Entek USA Inc. will receive 50% of the proceeds (attributable to Velocity Oil & Gas Inc.) from the sale or other disposition of oil, gas or other hydrocarbons produced from or otherwise allocable to the Leases, after deduction of any royalties and other burdens on production there from, until the Sunk Costs plus interest calculated on the Sunk Costs to 31st October 2007, are fully recovered. Net proceeds from a lease shall be applied to the Sunk Costs plus interest with respect to such lease until such payments equal the Sunk Cost plus interest for such Lease.

On 15 November 2007, the Company announced that the Warragon-1 well was being re-entered to test for commercial hydrocarbons using a workover rig to run tubing into the well with Tubing Conveyed Perforating equipment. This will enable flow testing of the well to establish inflow performance, followed by flowtest analysis and an assessment of the potential for production.

DIRECTORS' REPORT

On 23 November 2007, the Company announced a placement of approximately 15,000,000 ordinary shares to raise approximately \$2.7 million to cover the Company's forward work program. These funds will replenish the Company's cash resources for funds of US\$915,000 already applied to block sunk costs and drilling expenses for well OCS-G 24420 Well # 2 in High Island Block A300 and provide contingency for a follow-up well and completion of both wells in the event of discovery. Funds will also be applied to the acquisition of the Garden Banks Block 115 which contains the Cascade Prospect.

The listed securities of the Company were suspended voluntarily for 2 days from 21 November 2007 pending the release of an announcement.

On 26 November 2007, the Company announced that Gulf of Mexico OCS-G 24420 Well # 2 in the Big Ugly Fat Boy prospect had failed to encounter commercial hydrocarbons and was being plugged and abandoned.

On 19 December 2007, the Company announced that gas production from its interest in the High Island 24L Block is stabilising at near anticipated rates and that facilities commissioning is on schedule. Production during the month of October 2007 was limited as wells were opened and then shut in during commissioning. In November 2007 gas production was 1,914 MMscf at an average day rate of 63.817 MMscf/D. Condensate production for the month was 14,865 barrels (495 barrels of condensate per day), or 7.76 barrels of condensate per MMscf.

On 19 December 2007, the Company issued 51 fully paid ordinary shares at 20 cents per share pursuant to the exercise of 51 options expiring on 31 December 2009.

On 19 December 2007, the Company issued 15,377,773 fully paid ordinary shares at 18 cents per share.

EVENTS SUBSEQUENT TO BALANCE DATE

On 21 January 2008, Impress Energy Limited and Entek Energy Limited announced that the legal proceedings against Impress (Cooper Basin) Pty Ltd (formerly Tacnas Pty Ltd) ("Tacnas") for the recovery of a payment of A\$500,000 made by the Company to Tacnas in 2004 had been mutually terminated, with both parties agreeing to absorb costs to date, with no further claims against each other.

On 23 January 2008, the Company announced the acceptance on January 17th 2008 by the United States Department of Interior – Mineral Management Service of the Group's bid for Garden Banks Block 115 (Cascade prospect) in the GOM Central Sale 205 offered on October 3rd 2007.

Other financial assets, comprising securities in corporations listed on a prescribed stock exchange at market value, held for trading, are reflected in the Balance Sheet at market value as at 31 December 2007 at \$1,071,000. As at 4 February 2008, the market value of these securities had fallen to \$714,000.

Subsequent to the end of the financial half-year, the Group paid the remaining amount due for the acquisition of Garden Banks Block 115 (Cascade prospect) pursuant to the Group's successful bid for the lease which was accepted by the United States Department of Interior – Mineral Management Service. As part of the bid process, 20% of the bid price of US\$460,088 was paid in September 2007 and the remaining 80% of the bid price was paid in January 2008. In addition, a fee of US\$150,000 was paid in January 2008 to the prospect generator.

AUDITORS INDEPENDENCE DECLARATION

In accordance with the Corporations Act 2001 section 307C the auditors of the Company, Stantons International have provided a signed auditors independence declaration to the directors in relation to the half-year ended 31 December 2007. This declaration has been attached to the independent review report to the members of the Company.

DIRECTORS' REPORT

Signed in accordance with a resolution of the directors.



Paul Garner
Director

7 February 2008
Perth, Western Australia

DIRECTORS' DECLARATION

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

- a) in their opinion the accompanying financial statements and notes of the Consolidated Entity;
 - i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the Consolidated Entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and
- b) In their opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Paul Garner
Director

7 February 2008
Perth, Western Australia

**CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Note	2007 \$	2006 \$
CONTINUING OPERATIONS			
Revenue	2	153,392	195,256
GROSS PROFIT		153,392	195,256
Other income	2	53,591	387,427
Other expenses	2	(3,995,250)	(5,596,282)
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(3,788,267)	(5,013,599)
Income tax		—	—
LOSS FROM CONTINUING OPERATIONS AFTER INCOME TAX		(3,788,267)	(5,013,599)
NET LOSS ATTRIBUTABLE TO MEMBERS		(3,788,267)	(5,013,599)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(2.56)	(5.56)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(2.56)	(5.56)

The accompanying notes form part of this financial report

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Note	31 December 2007 \$	30 June 2007 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		2,379,751	3,546,918
Trade and other receivables		251,923	436,145
Other financial assets		1,071,000	1,166,116
TOTAL CURRENT ASSETS		3,702,674	5,149,179
NON-CURRENT ASSETS			
Property, plant and equipment		5,911	4,442
Capitalised exploration expenditure		3,646,372	3,798,629
TOTAL NON-CURRENT ASSETS		3,652,283	3,803,071
TOTAL ASSETS		7,354,957	8,952,250
CURRENT LIABILITIES			
Trade and other payables		151,399	945,315
TOTAL CURRENT LIABILITIES		151,399	945,315
TOTAL LIABILITIES		151,399	945,315
NET ASSETS		7,203,558	8,006,935
EQUITY			
Issued capital	3	17,132,312	14,276,550
Reserves	4	4,304,480	4,175,352
Accumulated losses		(14,233,234)	(10,444,967)
TOTAL EQUITY		7,203,558	8,006,935

The accompanying notes form part of this financial report

**CONDENSED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Note	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		41,512	128,099
Payments to suppliers & employees		(735,348)	(583,777)
Interest received		53,591	57,722
		(640,245)	(397,956)
CASH FLOWS FROM INVESTING ACTIVITIES			
Exploration and Development expenditure		(3,340,184)	(5,115,824)
Purchase of investments		—	(971,048)
Purchase of property, plant and equipment		(2,000)	(2,329)
		(3,342,184)	(6,089,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		3,018,342	4,367,475
Share issue costs		(162,580)	(109,065)
Loans from related parties		300,000	—
Loans repaid to related parties		(300,000)	—
		2,855,762	4,258,410
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Net foreign exchange differences		(1,126,667)	(2,228,747)
Cash and cash equivalents at beginning of period		3,546,918	3,927,149
		2,379,751	1,639,389
CASH AND CASH EQUIVALENTS AT END OF PERIOD	5	2,379,751	1,639,389

The accompanying notes form part of this financial report

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

<u>Attributable to Members of the Company</u>	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2006</i>	4,827,451	1,850,867	—	(2,211,050)	4,467,268
Currency translation differences	—	—	88,534	—	88,534
Loss for period	—	—	—	(5,013,599)	(5,013,599)
TOTAL LOSS FOR THE PERIOD	—	—	—	(5,013,599)	(4,925,065)
Securities issued	4,367,475	1,488,954	—	—	5,856,429
Capital raising costs	(131,315)	—	—	—	(131,315)
At 31 DECEMBER 2006	9,063,611	3,339,821	88,534	(7,224,649)	5,267,317

<u>Attributable to Members of the Company</u>	Issued Capital \$	Option Premium Reserve \$	Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<i>At 1 July 2007</i>	14,276,550	3,949,275	226,077	(10,444,967)	8,006,935
Currency translation differences	—	—	129,128	—	129,128
Loss for period	—	—	—	(3,788,267)	(3,788,267)
TOTAL LOSS FOR THE PERIOD	—	—	—	(3,788,267)	(3,659,139)
Securities issued	3,018,342	—	—	—	3,018,342
Capital raising costs	(162,580)	—	—	—	(162,580)
At 31 DECEMBER 2007	17,132,312	3,949,275	355,205	(14,233,234)	7,203,558

The accompanying notes form part of this financial report

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report. The half-year financial report should be read in conjunction with the annual Financial Report of Entek Energy Limited as at 30 June 2007. It is also recommended that the half year financial report be considered together with any public announcements made by Entek Energy Limited during the half year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Basis of accounting and statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The interim financial statements were approved by the Board of Directors on the date the Directors Report is dated. The accounting policies applied by the Company in this interim financial report are the same as those applied by the Company in its financial report for the year ended 30 June 2007. Since 1 July 2007, the Company has adopted the following Standards and Interpretations mandatory for annual periods on or after 1 January 2007. Adoption of these standards did not have any effect on the financial performance or position of the Company.

AASB 7 Financial Instruments: Disclosures

AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,1,4, 1023 and 1038)
ASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments
AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108)

The half-year financial report has been prepared on a historical cost basis, except for held-for-trading financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged with fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Statement of compliance

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

Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2007.

Half-Year to 31 December 2007 \$	Half-Year to 31 December 2006 \$
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NOTE 2. REVENUE, INCOME AND EXPENSES

The loss before income tax expense includes the following revenues and expenses where disclosure is relevant in explaining the performance of the Company:

REVENUE

Oil sales	153,392	137,534
Interest received from other persons	53,591	57,722
	206,983	195,256

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-Year to 31 December 2007 \$	Half-Year to 31 December 2006 \$
OTHER INCOME		
Increase in value of listed securities	—	387,250
Other	—	177
	—	387,427
CHARGING AS EXPENSES		
Staff and consultants	275,236	238,717
Exploration expenses	988,014	1,139,487
Legal Fees	58,269	31,404
Capitalised exploration expenditure written off	1,901,731	2,281,782
Decrease in value of listed securities	95,116	—
Foreign exchange loss	310,744	—
Cost of share based payment	—	1,488,954
Other	366,140	415,938
	3,995,250	5,596,282

	Half-Year to 31 December 2007 \$	Year to 30 June 2007 \$
NOTE 3. ISSUED CAPITAL		
ORDINARY SHARES		
111,854,426 (30 June 2007: 145,818,033) fully paid ordinary shares	17,132,308	14,276,546
1,000,000 (30 June 2007: 1,000,000) Discovery shares	4	4
	17,132,312	14,276,550

	Half-Year to 31 December 2007 \$	Year to 30 June 2007 \$
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the period	14,276,546	4,827,447
11,806 shares issued on 31 July 2007	2,361	—
2,353 shares issued on 20 August 2007	471	—
1,350,002 shares issued on 27 September 2007	135,001	—
1,125,000 shares issued on 18 October 2007	112,500	—
51 shares issued on 19 December 2007	10	—
15,377,773 shares issued on 19 December 2007	2,767,999	—
7,616,500 shares issued on 3 November 2006	—	1,142,475
10,000,000 shares issued 12 December 2006	—	2,000,000
8,000,000 shares issued on 19 December 2006	—	1,200,000
125,000 shares issued on 19 December 2006	—	25,000
4,000,000 shares issued on 27 April 2007	—	800,000
800,000 shares issued on 4 May 2007	—	80,000
20,939,299 shares issued on 28 June 2007	—	3,350,288
8,224,308 shares issued on 29 June 2007	—	1,315,889
Capital raising costs	(162,580)	(464,553)
AT THE END OF THE FINANCIAL PERIOD	17,132,308	14,276,546

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Half-Year to 31 December 2007 \$	Year to 30 June 2007 \$
NOTE 4. RESERVES		
Option premium reserve	3,949,275	3,949,275
Currency translation reserve	355,205	226,077
	4,304,480	4,175,352

MOVEMENTS IN OPTION PREMIUM RESERVE

At the beginning of the period	3,949,275	1,850,867
300,000 options issued 25 September 2006	—	33,914
7,000,000 options issued 28 November 2006	—	1,455,040
12,500,000 options issued 23 March 2007	—	609,454
	3,949,275	3,949,275

AT THE END OF THE FINANCIAL YEAR

NOTE 5. RECONCILIATION OF CASH AND CASH EQUIVALENTS

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

NOTE 6. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the half-year ended 31 December 2007 and also during the half-year ended 31 December 2006, the Consolidated Entity operated entirely in the oil and gas industry.

SECONDARY REPORTING GEOGRAPHICAL SEGMENTS

	External Revenue \$	Inter-Segment Revenue \$	Total Revenue \$	Segment Profit/(Loss) \$
HALF-YEAR TO 31 DECEMBER 2007				
Australasia	35,219	—	35,219	(1,870,343)
North America	118,173	—	118,173	(1,917,924)
TOTAL	153,392	—	153,392	(3,788,267)

	External Revenue \$	Inter-Segment Revenue \$	Total Revenue \$	Segment Profit/(Loss) \$
HALF-YEAR TO 31 DECEMBER 2006				
Australasia	195,256	—	195,256	(2,242,263)
North America	—	—	—	(2,771,336)
TOTAL	195,256	—	195,256	(5,013,599)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

NOTE 7. CONTINGENT LIABILITIES

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

NOTE 8. CONTINGENT ASSETS

On November 9th 2007, Entek's wholly owned US subsidiary Entek USA Inc. entered into a Purchase and Sale Agreement with Velocity Oil & Gas Inc., a Nevada corporation, to sell its 100% membership interest in South Marsh LLC (South Marsh). South Marsh holds the Group's interest in OCS-G 27091, Block 152, South Marsh Island Area, South Addition (15%), OCS-G 27089, Block 138, South Marsh Island Area, South Addition (11.25%), OCS-G 26560, Block A 307, High Island Area, East Addition, South Ext (10%), OCS-G 26190, Block 79, Viosca Knoll Area (10%), OCS-G 27078, Block 317, Vermilion Area, South Addition (10%). Under the terms of the Purchase and Sale Agreement, Entek USA Inc. will receive 50% of the proceeds (attributable to Velocity Oil & Gas Inc.) from the sale or other disposition of oil, gas or other hydrocarbons produced from or otherwise allocable to the Leases, after deduction of any royalties and other burdens on production there from, until the Sunk Costs plus interest calculated on the Sunk Costs to 31st October 2007, are fully recovered. Net proceeds from a lease shall be applied to the Sunk Costs plus interest with respect to such lease until such payments equal the Sunk Cost plus interest for such Lease.

As the receipt of funds pursuant to this agreement is contingent on events that are not reasonably certain, the potential receipt of funds from this agreement has not been included in these financial statements.

NOTE 9. EVENTS SUBSEQUENT TO BALANCE DATE

Other financial assets, comprising securities in corporations listed on a prescribed stock exchange at market value, held for trading, are reflected in the Balance Sheet at market value as at 31 December 2007 at \$1,071,000. As at 4 February 2008, the market value of these securities had fallen to \$714,000.

Subsequent to the end of the financial half-year, the Group paid the remaining amount due for the acquisition of Garden Banks Block 115 (Cascade prospect) pursuant to the Group's successful bid for the lease which was accepted by the United States Department of Interior – Mineral Management Service. As part of the bid process, 20% of the bid price of US\$460,088 was paid in September 2007 and the remaining 80% of the bid price was paid in January 2008. In addition, a fee of US\$150,000 was paid in January 2008 to the prospect generator.

On 21 January 2008, Impress Energy Limited and Entek Energy Limited announced that the legal proceedings against Impress (Cooper Basin) Pty Ltd (formerly Tacnas Pty Ltd) ("Tacnas") for the recovery of a payment of A\$500,000 made by the Company to Tacnas in 2004 had been mutually terminated, with both parties agreeing to absorb costs to date, with no further claims against each other.

On 23 January 2008, the Company announced the acceptance on January 17th 2008 by the United States Department of Interior – Mineral Management Service of the Group's bid for Garden Banks Block 115 in the GOM Central Sale 205 offered on October 3rd 2007.

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

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Entek Energy Limited, which comprises the consolidated condensed balance sheet as at 31 December 2007, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2007 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Entek Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Entek Energy Limited on 7 February 2008.

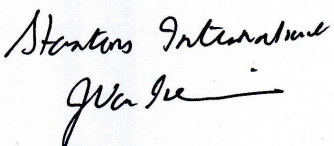
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Entek Energy Limited is not in accordance with the *Corporations Act 2001* including:

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

- a) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL



Stantons International
J P Van Dieren

J P Van Dieren
Director

West Perth, Western Australia
7 February 2008

Stantons International

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www.stantons.com.au

7 February 2008

Board of Directors
Entek Energy Limited
Ground Floor
15 Rheola St
WEST PERTH WA 6005

Dear Sirs,

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 review of the financial statements of Entek Energy Limited for the six months ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely,
STANTONS INTERNATIONAL
(Authorised Audit Company)



John Van Dieren
Director