

ENTEK ENERGY LTD

Activity Recommences Onshore USA

Entek Energy Limited ("Entek", "ETE", "Company") has recently announced the recommencement of activity at its acreage located onshore in the Green River Basin in Colorado and Wyoming. The Company is pursuing multiple play types including coal seam gas, conventional oil and gas and non-conventional oil production from the Niobrara Shale. Entek has met its farm-in obligations as of June 2010, towards earning operatorship over approximately 66,000 gross acres with a ~24.5% working interest in the coal seam gas potential and 36.5% for all other prospects.

High Leverage to Huge Niobrara Potential – Testing Underway

Entek has announced that it will be testing two previously drilled "Niobrara" wells, Battle Mountain 14-15A ("BM 14-15") and Robidoux 13-15T ("R13-15"), with initial work at BM 14-15 underway. The Company is deepening this well after good oil shows continued into the Carlisle and Frontier Formations. Significant shows were encountered during drilling (oil to surface) of the Niobrara Formation which sits above the Carlisle. During current operations 60 barrels of light crude was recovered whilst cleaning out the well bore. Once the well has been deepened, it will be tested and put on production. Testing of R13-15 will be next, followed by up to 4 new wells this year targeting the Niobrara, Mancos and Frontier Sand formations.

The Company has identified large igneous intrusions into the Niobrara that may indicate increased thermal maturity (lighter oil) as well as additional reservoir potential in the intrusions themselves and improved likelihood of fractures (better flow rates). These areas will be the first targeted in the Niobrara Shale, which underlies the entire acreage position. Entek's acreage in the Green River Basin ("GRB") is untested for horizontal Niobrara production; however, early results in the DJ Basin and Powder River Basin in the Niobrara suggest that significant resource potential may also exist in ETE's assets.

Coal Seam Gas Provides Significant Strategic Advantage

Entek's coal seam gas assets in the USA are marginally economic, in our view, at current domestic gas prices; however, the Slater Dome project has several significant strategic advantages that became clearer to us when we recently visited the Company's offices in Denver in late June 2010. Several other prospective horizons in stringer sands provide potential for increased resource as well as better permeability and porosity, boosting the potential economics of the wells. The shallow, inexpensive wells also serve a double purpose by holding the acreage by production, including the rights to the deeper potential such as the Niobrara. The Company plans to drill up to 4 new wells and recomplete 3 existing wells at the Slater Dome coal seam gas project this year.

Well Placed for Significant Growth – Strong Newsflow Expected

Entek has production of ~3 million cubic feet of gas per day from its USA assets, including recent additions from the PN-975 well in the Gulf of Mexico. Activity in the Gulf of Mexico will likely resume in November after the hurricane season.

The focus for the next 5 months will be in the GRB, where significant resource potential will be appraised by up to 10 wells targeting coal seam gas, conventional oil and gas and non-conventional oil potential from the Niobrara Shale. Recent sale metrics of US\$4,000 per acre have been achieved in the DJ Basin for Niobrara acreage. Success at ETE's acreage this year could result in a similar uplift on its assets, valuing the Company at 56cps for the Niobrara alone. We rate Entek as a Speculative Buy with a price target of 40cps.

13 Jul 2010

Share Price:	\$0.165
6mth Price Target:	\$0.40

Brief Business Description:

Oil and gas explorer / producer with assets shallow offshore GOM and onshore USA.

Hartleys Brief Investment Conclusion

Large acreage position / working interest provides leverage to prospective asset portfolio.

Chairman & CEO:

Craig McGown (Chairman)
 Russell Brimage (CEO)

Top Shareholders:

Top Speed Pty Ltd (7.68%)
 National Nominees Ltd (6.13%)
 Ian Sandover and Associates (2.44%)

Company Address:

Ground Floor, 15 Rheola St
 West Perth, WA, 6005

Valuation:	\$0.61
Issued Capital:	228.8m
- fully diluted	228.8m
Market Cap:	\$37.7m
- fully diluted	\$37.7m
Cash Equiv (31 Mar '10):	\$9.2m
Debt (31 Mar '10):	\$0.0m

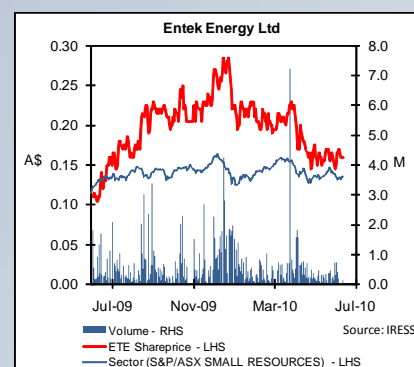
Valuation Summary

Asset	Value \$m	risked cps	unrisked cps
GRB - Niobrara	\$21.0m	9	28
GRB - CSG	\$12.2m	5	16
HI 24L	\$3.7m	2	2
ATP 269P	\$1.5m	1	1
Exploration	\$85.3m	43	351
Cash	\$9.0m	4	4
Debt	\$0.0m	-	-
Corp Admin	-\$11.4m	5	5
Options	\$4.3m	2	2
Total	\$125.6m	61	399

2P Reserves (mmboe) 10.9

EV / 2P Reserve (\$/mmboe) \$2.62

Source: Hartleys Research


Authors:

Dave Wall
 Oil and Gas Analyst
 Ph: +61 8 9268 2826
 E: david_wall@hartleys.com.au

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Entek Energy Limited. See disclosure on back page for details.

SUMMARY MODEL

*note – Entek is at an early stage of exploration / appraisal and the financial forecasts below represent our base success case, and are not discounted for risk. The valuation, on the other hand has been significantly discounted to account for risk

Entek Energy Ltd						Share Price		July 2010					
ETE						\$0.17		SPECULATIVE BUY					
Key Market Information						Directors						Company Information	
Share Price						Craig McGowan - Chairman (Non-Executive)						Ground Floor, 15 Rheola St	
Market Capitalisation						David Anthony Craig - Non-Executive Director						West Perth, WA, 6005	
52 Week High-Low						Andrew J Padman - Non-Executive Director						Tel: (08) 9213 4388	
Issued Capital						Russell Brimage - Director and Chief Executive Officer						Fax: (08) 9213 4399	
Issued Capital (fully diluted inc. ITM options)												Web: www.entekenergy.com.au	
Options													
Yearly Turnover/Volume													
Liquidity Measure (Yearly Turnover/Issued Capital)													
Valuation and Price Target						Top 10 Shareholders (as at 30/08/08)							
Discounted Cashflow Valuation @10% Real													
Price Target													
Financial Performance													
	Unit	FY2009A	FY2010E	FY2011E	FY2012E	FY2013E							
Net Revenue	A\$m	5.7	2.7	20.3	49.9	76.5							
Opex	A\$m	(4.6)	(7.1)	(10.4)	(13.7)	(19.7)							
Secondary Tax Expense	A\$m	-	(0.2)	(3.0)	(7.4)	(11.4)							
Total Costs/Writeoffs	A\$m	(4.6)	(7.3)	(13.4)	(21.2)	(31.2)							
EBITDA	A\$m	1.1	(4.6)	6.8	28.7	45.4							
Depreciation/Amort	A\$m	(0.8)	(0.0)	(0.5)	(1.9)	(5.1)							
EBIT	A\$m	0.3	(4.6)	6.4	26.7	40.3							
Net Interest	A\$m	-	0.1	(0.3)	(0.2)	(0.2)							
Pre-Tax Profit	A\$m	-	(4.5)	6.0	26.5	40.1							
Tax Expense	A\$m	-	1.0	(1.8)	(8.0)	(12.0)							
NPAT	A\$m	1.1	(2.8)	5.0	18.0	26.5							
Abnormal Items	A\$m	-	-	-	-	-							
Reported Profit	A\$m	1.1	(2.8)	5.0	18.0	26.5							
Financial Position													
	Unit	FY2009A	FY2010E	FY2011E	FY2012E	FY2013E							
Cash	A\$m	7.7	4.5	5.0	9.4	7.9							
Other Current Assets	A\$m	0.9	2.9	5.2	7.5	9.6							
Total Current Assets	A\$m	8.6	7.3	10.2	17.0	17.5							
Property, Plant & Equip.	A\$m	0.0	2.8	14.6	26.5	53.0							
Exploration & Dev.	A\$m	4.4	13.4	14.3	14.3	14.3							
Investments/other	A\$m	-	-	-	-	-							
Tot Non-Curr. Assets	A\$m	4.4	16.2	28.9	40.8	67.3							
Total Assets	A\$m	13.1	23.5	39.1	57.7	84.8							
Short Term Borrowings	A\$m	-	-	-	-	-							
Other	A\$m	0.4	3.8	3.8	3.8	3.8							
Total Curr. Liabilities	A\$m	0.4	3.8	3.8	3.8	3.8							
Long Term Borrowings	A\$m	-	-	10.8	10.8	10.8							
Other	A\$m	0.1	(1.2)	(2.3)	(2.2)	(2.4)							
Total Non-Curr. Liabil.	A\$m	0.1	(1.2)	8.5	8.6	8.4							
Total Liabilities	A\$m	0.5	2.6	12.2	12.4	12.2							
Net Assets	A\$m	12.6	20.9	26.9	45.4	72.6							
Cashflow													
	Unit	FY2009A	FY2010E	FY2011E	FY2012E	FY2013E							
Operating Cashflow	A\$m	5.4	0.9	12.6	35.3	56.3							
Income Tax Paid	A\$m	-	(0.2)	(4.0)	(10.2)	(15.4)							
Interest & Other	A\$m	(0.2)	(0.1)	(3.3)	(7.6)	(11.6)							
Operating Activities	A\$m	5.2	0.6	5.3	17.5	29.2							
Property, Plant & Equip.	A\$m	(0.0)	(2.8)	(12.3)	(13.8)	(31.7)							
Exploration/Development	A\$m	(1.8)	(10.6)	(4.5)	-	-							
Investments	A\$m	-	-	-	-	-							
Proceeds From Sale	A\$m	-	0.5	-	-	-							
Investment Activities	A\$m	(1.8)	(12.9)	(16.8)	(13.8)	(31.7)							
Repay / Draw Debt	A\$m	-	-	10.8	-	-							
Equity	A\$m	0.2	4.3	1.0	0.5	0.8							
Financing Activities	A\$m	0.2	4.3	11.7	0.5	0.8							
Net Cashflow	A\$m	3.6	(7.9)	0.2	4.2	(1.7)							
Ratio Analysis													
	Unit	FY2009A	FY2010E	FY2011E	FY2012E	FY2013E							
Cashflow Per Share	A¢	2.7	0.3	2.3	7.6	12.6							
Cashflow Multiple	X	6.2	61.0	7.1	2.2	1.3							
Earnings Per Share	A¢	0.5	(1.2)	2.2	7.8	11.4							
Price to Earnings Ratio	X	30.0	(13.2)	7.5	2.1	1.4							
Dividends Per Share	A¢	-	-	-	-	-							
Dividend Yield	%	-	-	-	-	-							
Interest Cover	X	na	na	19.8	133.9	221.2							
Return on Equity	%	8%	-13%	19%	40%	37%							
Production Summary													
	Unit	FY2009A	FY2010E	FY2011E	FY2012E	FY2013E							
Liquids	mmbbl	0.01	0.08	0.10	0.23	0.30							
Gas	bcf	0.33	0.34	1.89	4.29	6.19							
Total	boe	0.07	0.14	0.42	0.94	1.34							
Price Assumptions													
	Unit	CY2009	CY2010	CY2011	CY2012	CY2013							
Gas Price	US\$/mcf	3.75	4.75	6.00	6.00	6.00							
Liquids Price	US\$/bbl	61.68	78.10	85.00	85.00	85.00							
Exchange Rate	A\$/US\$	0.79	0.90	0.86	0.78	0.75							
Hedging													
	Unit	FY2009A	FY2010E	FY2011E	FY2012E	FY2013E							
Total Forward Sales - Oil	mmbbl	-	-	-	-	-							
Forward Oil Price	A\$/bbl	-	-	-	-	-							
Sensitivity Analysis													
		Valuation (\$/s)		NPAT	EPS (¢)	CFPS (¢)							
Base Case		0.61	5.0	2.2	2.3								
Oil Price +10%		0.62	5.5	2.4	2.5								
Oil Price -10%		0.60	4.5	2.0	2.1								
Gas Price +10%		0.63	5.7	2.5	2.5								
Gas Price -10%		0.59	4.4	1.9	2.1								
Exchange Rate +10%		0.60	4.3	1.9	2.1								
Exchange Rate -10%		0.63	5.8	2.6	2.6								
<i>*N.B. NPAT, EPS, CFPS forecasts are for FY2011</i>													
Share Price Valuation (NAV)													
		\$m		\$/share									
GRB - Niobrara @ 10%*		21.0		0.09									
GRB - Coal Seam Gas @ 10%*		12.2		0.05									
High Island 24L @ 10%		3.7		0.02									
ATP 269P @ 10%		1.5		0.01									
Exploration		85.3		0.43									
Cash		9.0		0.04									
Debt		0.0		0.00									
Corp Admin		(11.4)		(0.05)									
Options		4.3		0.02									
Total		125.59		0.61									
<i>10% real discount rate used for DCF (~13.3% nominal)</i>													
<i>*DCF Valuation further discounted by 66%</i>													
Analyst: David Wall						Last Updated: 13/07/2010							
Phone: +61 8 9268 2826													
Sources: IRESS, Company Information, Hartleys Research													

HARTLEYS RESEARCH COVERAGE LIST

Hartleys Research Coverage						
Name	Ticker	Last Price*	M. CAP (A\$m)	EV (A\$m)	Hartleys Research Recommendation	Industry
Oil & Gas						
1. Woodside Petroleum Ltd	WPL	41.79	32,481	36,659	Buy	Major
2. Nexus Energy Ltd	NXS	0.250	240	562	Neutral	Developer / Explorer
3. Carnarvon Petroleum Ltd	CVN	0.345	237	208	Speculative Buy	Producer / Explorer
4. Aurora Oil and Gas Ltd	AUT	0.745	164	126	Buy	Producer / Developer
5. Tap Oil Ltd	TAP	0.875	137	76	Buy	Producer / Explorer
6. Cooper Energy Ltd	COE	0.375	109	13	Buy	Producer / Explorer
7. Otto Energy Ltd	OEL	0.075	80	57	Buy	Explorer / Producer
8. Strike Energy Ltd	STX	0.225	74	66	Buy	Explorer / Producer
9. Adelphi Energy Ltd	ADI	0.420	71	61	Buy	Producer / Developer
10. Red Fork Energy Ltd	RFE	0.465	64	36	Buy	Explorer / Producer
11. Amadeus Energy Ltd	AMU	0.210	64	107	Buy	Producer / Explorer
12. European Gas Ltd	EPG	0.200	40	104	Speculative Buy	Producer / Explorer
13. First Australian Resources Ltd	FAR	0.058	38	19	Speculative Buy	Explorer / Producer
14. Entek Energy Ltd	ETE	0.145	33	24	Speculative Buy	Producer / Explorer
15. Oilex Ltd	OEX	0.086	19	1	Neutral	Explorer / Producer
16. Sun Resources NL	SUR	0.046	16	11	Speculative Buy	Explorer / Producer
	Sub-Total		33,867	38,131		
Resources						
1. Riversdale Mining Limited	RIV	10.48	1,975	1,707	Speculative Buy	Coal
2. Atlas Iron Limited	AGO	2.060	975	795	Buy	Iron Ore
3. Western Areas NL	WSA	3.77	675	854	No Rating	Nickel
4. Silver Lake Resources Limited	SLR	1.715	307	276	Speculative Buy	Gold
5. Dominion Mining Limited	DOM	2.740	283	302	Speculative Buy	Gold
6. Catalpa Resources Limited	CAH	1.600	258	220	Buy	Gold Producer
7. Gold One International Limited	GDO	0.275	221	292	Buy	Gold
8. Intrepid Mines Limited	IAU	0.510	218	171	Speculative Buy	Gold
9. Jabiru Metals Limited	JML	0.300	166	140	Buy	Zinc-Copper
10. Tanami Gold NL	TAM	0.040	142	184	No Rating	Gold Producer
11. Focus Minerals Ltd	FML	0.049	140	133	Speculative Buy	Gold Producer
12. Magma Metals Limited	MMB	0.420	68	48	Speculative Buy	PGM-Cu-Ni
13. Centaurus Metals Ltd	CTM	0.075	45	38	Speculative Buy	Iron Ore Developer
14. Peninsula Minerals Ltd	PEN	0.030	41	32	Buy	Uranium Developer / Explorer
15. Emmerson Resources Limited	ERM	0.170	35	22	Speculative Buy	Junior Explorer
16. Hazelwood Resources Ltd	HAZ	0.180	34	29	Speculative Buy	Junior Developer
17. YTC Resources Limited	YTC	0.200	33	24	Buy	Junior Explorer
18. Ausquest Limited	AQD	0.135	31	4	Speculative Buy	Junior Explorer
19. Shaw River Resources Limited	SRR	0.130	26	19	Speculative Buy	Junior Explorer
20. Ferrum Crescent Limited	FCR	0.155	24	22	Speculative Buy	Iron Ore
21. Geopacific Resources NL	GPR	0.600	23	16	Speculative Buy	Gold Explorer
22. Orion Gold NL	ORN	0.022	16	13	Speculative Buy	Gold
23. Southern Gold Limited	SAU	0.080	11	7	Speculative Buy	Junior Explorer
24. Impact Minerals Limited	IPT	0.095	11	7	Speculative Buy	Junior Explorer
	Sub-Total		5,616	5,267		
Industrials						
1. West Australia News Hdgs Ltd	WAN	6.43	1,490	1,765	Buy	Media
2. Monadelphous Group Limited	MND	12.790	1,100	968	Buy	Mining Services
3. Clough Limited	CLO	0.745	506	567	No Rating	Oil & Gas Services
4. Fleetwood Corporation	FWD	9.14	493	487	Neutral	Consumer & Mining Services
5. Mermaid Marine Australia Ltd	MRM	2.500	465	599	Buy	Oil & Gas Services
6. Ausdrill Limited	ASL	1.64	429	528	Buy	Mining Services (Drilling & Capital Goods)
7. Austal Limited	ASB	2.20	414	425	Speculative Buy	Mining & Civil Construction
8. Macmahon Holdings Limited	MAH	0.550	404	376	Buy	Mining & Civil Construction
9. NRW Holdings Ltd	NWH	0.975	245	310	Buy	Mining & Civil Construction
10. Decmil Group Limited	DCG	1.640	203	170	Buy	Mining & Civil Construction
11. Cash Converters Limited	CCV	0.545	198	155	Buy	Retail & Consumer Finance
12. Imdex Ltd	IMD	0.700	136	150	Buy	Oil & Gas / Mining Drilling
13. Lycopodium Limited	LYL	3.170	123	107	Buy	Mining & Industrial Services
14. Neptune Marine Ltd	NMS	0.240	115	148	Speculative Buy	Oil & Gas Services
15. RCR Tomlinson Ltd	RCR	0.830	109	153	Buy	Mining & Industrial Services
16. Swick Mining Services Ltd	SWK	0.360	85	134	Speculative Buy	Mining Services (Drilling)
17. VDM Group Limited	VMG	0.360	76	95	Buy	Mining & Civil Construction
18. LogiCamms Limited	LCM	0.840	50	40	Buy	Resource Services
19. Pacific Energy Ltd	PEA	0.195	36	91	Buy	Mining Services / Power
	Sub-Total		6,679	7,267		
	GRAND TOTAL		46,162	50,665		

Source: IRESS, Hartleys Research. * 9 Jul 2010

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
Andrew Muir	Senior Resources Analyst	+61 8 9268 3045
Mike Millikan	Resources Analyst	+61 8 9268 2805
David Wall	Oil and Gas Analyst	+61 8 9268 2826
Janine Hodges	Research Assistant	+61 8 9268 2831

Corporate Finance

Grey Egerton-Warburton	Head of Corporate Finance	+61 8 9268 2851
Richard Simpson	Director - Corporate Finance	+61 8 9268 2824
Paul Fryer	Director - Corporate Finance	+61 8 9268 2819
Dale Bryan	Director - Corporate Finance	+61 8 9268 2829
Ben Wale	Manager - Corporate Finance	+61 8 9268 3055
Matt Szwedzicki	Manager - Corporate Finance	+61 8 9268 3047
Scott Weir	Corporate Finance Exec.	+61 8 9268 2821

Registered Office

Level 6, 141 St Georges Tce
Perth WA 6000
Australia

Postal Address
GPO Box 2777
Perth WA 6001
Australia

Contact Details

Telephone: +61 8 9268 2888
Facsimile: +61 8 9268 2800
Website: www.hartleys.com.au
Email: info@hartleys.com.au

Note: personal email addresses of company employees are structured in the following manner:
`firstname_lastname@hartleys.com.au`

Hartleys Recommendation Categories

No Rating	No recommendation.
Buy	Share price appreciation anticipated
Speculative Buy	Share price appreciation anticipated but it is higher risk than a "Buy". For the share price to rise it may be contingent on the outcome of an uncertain or distant event.
Neutral	Take no action. Stock is already trading near the share price target and there are no foreseeable near term catalysts.
Reduce / Take profits	Stock is trading above the share price target and there is a near term negative catalyst that could cause temporary weakness.
Sell	Significant price depreciation anticipated

Disclaimer/Disclosure

The author of this publication, Hartleys Limited ABN 33 104 195 057 ("Hartleys"), its Directors and their Associates from time to time may hold shares in the security/securities mentioned in this Research document and therefore may benefit from any increase in the price of those securities. Hartleys and its Advisers may earn brokerage, fees, commissions, other benefits or advantages as a result of a transaction arising from any advice mentioned in publications to clients.

Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to Entek Energy Limited for which it has earned and continues to earn fees.

Any financial product advice contained in this document is unsolicited general information only. Do not act on this advice without first consulting your investment adviser to determine whether the advice is appropriate for your investment objectives, financial situation and particular needs. Hartleys believes that any information or advice (including any financial product advice) contained in this document is accurate when issued. Hartleys however, does not warrant its accuracy or reliability. Hartleys, its officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law.

Institutional Sales

Carrick Ryan	+61 8 9268 2864
Justin Stewart	+61 8 9268 3062
Simon van den Berg	+61 8 9268 2867
Steven Boyce	+61 8 9268 2817
Nick Wheeler	+61 8 9268 3053

Wealth Management

Nicola Bond	+61 8 9268 2840
Bradley Booth	+61 8 9268 2873
Adrian Brant	+61 8 9268 3065
Nathan Bray	+61 8 9268 2874
Sven Burrell	+61 8 9268 2847
Simon Casey	+61 8 9268 2875
Tony Chien	+61 8 9268 2850
Travis Clark	+61 8 9268 2876
David Cross	+61 8 9268 2860
Nicholas Draper	+61 8 9268 2883
John Featherby	+61 8 9268 2811
Ben Fleay	+61 8 9268 2844
John Georgiades	+61 8 9268 2887
John Goodlad	+61 8 9268 2890
Andrew Gribble	+61 8 9268 2842
Neil Inglis	+61 8 9268 2894
Murray Jacob	+61 8 9268 2892
Gavin Lehmann	+61 8 9268 2895
Shane Lehmann	+61 8 9268 2897
Steven Loxley	+61 8 9268 2857
Andrew Macnaughtan	+61 8 9268 2898
Christian Marriott	+61 8 9268 2828
Scott Metcalf	+61 8 9268 2807
David Michael	+61 8 9268 2835
Nicole Morcombe	+61 8 9268 2896
Jamie Moullin	+61 8 9268 2856
Chris Munro	+61 8 9268 2858
Michael Munro	+61 8 9268 2820
Ian Parker	+61 8 9268 2810
Ian Plowman	+61 8 9268 3054
Margaret Radici	+61 8 9268 3051
Charlie Ransom (CEO)	+61 8 9268 2868
Elliott Rowton	+61 8 9268 3059
Conlie Salvemini	+61 8 9268 2833
David Smyth	+61 8 9268 2839
Greg Soudure	+61 8 9268 2834
Sonya Soudure	+61 8 9268 2865
Dirk Vanderstruyf	+61 8 9268 2855
Marlene White	+61 8 9268 2806