ENTEK ENERGY LIMITED

ABN 43 108 403 425

Consolidated Financial Report for the Half-Year to 31 December 2010

This document should be read in conjunction with the Annual Financial Report of Entek Energy Limited for the year ended 30 June 2010

ENTEK ENERGY LIMITED
CORPORATE DIRECTORY

DIRECTORS:	Graham Douglas Riley (Chairman appointed 1 February 2011) Trent Benjamin Spry (Managing Director appointed 5 Oct. 2010) Craig Ian McGown (resigned 28 February 2011) Andrew John Padman Alexander Forcke (appointed 15 February 2011) Russell Ernest Brimage (resigned 25 November 2010) David Anthony Craig (resigned 25 November 2010)
COMPANY SECRETARY:	Andrew James Gastevich
REGISTERED OFFICE:	Ground Floor 15 Rheola St West Perth WA 6005 Australia Tel: +61 (8) 9213 4388 Fax: +61 (8) 9213 4399
AUDITORS:	**Stantons International** Level 1 1 Havelock St West Perth WA 6005 Tel: +61 (8) 9481 3188 Fax: +61 (8) 9321 1204
SHARE REGISTRY:	**Computershare Investor Services Pty Ltd** Level 2, Reserve Bank Building 45 St Georges Terrace Perth, Western Australia 6000 GPO Box D182 Perth, Western Australia 6840 Tel: +61 1300 557 010 Fax: +61 (8) 9323 2033
LEGAL ADVISORS:	**Blakiston & Crabb** 1202 Hay Street West Perth, Western Australia 6005 **AndrewsKurth** 600 Travis, Suite 4200 Houston, Texas 77002
BANKERS:	**Bank of Western Australia Limited** 1215 Hay Street West Perth, Western Australia 6005 **HSBC Bank Australia Limited** 188 – 190 St Georges Terrace Perth, Western Australia 6000 **Bank of America Corporation** 345 Montgomery Street San Francisco, California 94104

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 2010. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

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

Graham Douglas Riley (appointed 1 February 2011)
Craig Ian McGown (resigned 28 February 2011)
Trent Benjamin Spry (appointed 5 October 2010)
Andrew John Padman
Alexander Forcke (appointed 15 February 2011)
Russell Ernest Brimage (resigned 25 November 2010)
David Anthony Craig (resigned 25 November 2010)

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to $9,520,058 (31 December 2009, loss of $1,000,040). The increase in operating loss was due to the following:

- A foreign currency translation loss of $3,943,840 was incurred compared to $615,367 in the previous reporting period due to the appreciation of the Australian dollar against the US dollar.

- Up to 30 June 2010 the Company adopted the "full cost" method of accounting for its assets based in the Green River Basin. This method allows all operating expenses, regardless of outcome, to be capitalised. The "successful methods" basis of accounting was adopted as from 1 July 2010. This method allows a company to capitalise only those expenses associated with successfully locating new oil and gas reserves. Accordingly $2 million of Green River Basin exploration costs were expended during the period. This change in accounting method has also led to a one off charge of approximately $2.4 million relating to prior year costs in the half year financial report.

REVIEW OF OPERATIONS

The Company's primary assets comprise interests in:

- Two producing Blocks (HI 24L N/2 SW/4 and HI 24L S/2 SW/4) and surrounding Blocks HI 25L S/2 SE/4 and HI 32L N/2 NW/4, all located in shallow offshore Texas State waters.
- Nine Blocks in the shallow waters of the Outer Continental Shelf of the shallow waters of the Gulf of Mexico (OCS GoM)
    - One producing well drilled from the PN 975 "A" Platform (PN 975 A-11 well)
    - One with a discovery, awaiting development (GA A133)
    - Seven in various stages of ongoing evaluation and farm-out (GA 212, GA 213, GB 115, MP 252, VR 341, VR 342 and WC 517)
- Farm-in to approximately 66,000 acres of leasehold in the Green River Basin (GRB) onshore USA in Colorado and Wyoming States
- An interest in an onshore producing Block in south west Queensland (ATP 269P)

PRODUCTION & REVENUE

In Texas State waters, the Company earns revenue from the High Island 24L Blocks and the Padre North Block 975.

The two producing wells in the High Island Block produced 117.940 MMSCF of gas and 763 BBls of condensate net to Entek, for revenue of US$626,455.67 for the six months to 31 December 2010. This revenue includes an estimate of receipts for the month of December, since the actual revenue has not been received from the operator. The Company holds a 5% Working Interest in producing Blocks 24L N/2 SW/4 and 24L S/2 SW/4 and in surrounding Blocks 25L S/2 SE/4 and 32L N/2 NW/4, all located in Texas State waters.

The producing well in the Padre North 975 Block (PN 975-A11) produced 101.966 MMSCF of gas and a minor quantity of condensate net to Entek, for revenue of US$363,427.30 for the six months to 31 December 2010 (there was no production during the month of August 2010 due to plant modifications on the platform). This revenue includes estimates of receipts for the month of December 2010, since the actual earnings have not been received from the operator. The Company holds a 25% Working Interest in the PN 975-A11 well.

In south west Queensland, the Company's interest in ATP-269P contributed production net to the Company of 677 BBls of crude oil (down significantly on the previous six month period due to heavy rains in the area causing access problems and well downtime awaiting well servicing). Revenue for the period was A$114,395.

In the Green River Basin the Company derives revenue from the Slater Dome Coal Bed Methane producing wells. During the six months to 31 December 2010, gross production from the Coal Bed Methane wells was 50.608 MMSCF, generating gross revenue of US$316,531.21, which includes an estimate for December 2010 based on actual first day of the month Colorado Interstate Gas Price.

Under the terms of the Participation Agreement entered into by the Company, whilst revenue is less than Operating Expense for the field, all revenue (after royalties) is offset against the Operating Expense prior to any distribution to joint venture partners. The Company will therefore be credited with the full revenue amount for the six month period.

In addition, the first sales of crude oil produced from wells drilled in the Green River Basin acreage (Butter Lake 32-10 drilled by Entek in 2010, and Battle Mountain 14-15A and Robidoux 13-15T, both drilled by the previous operator in 2009, and existing well CF&I Corp#1 drilled in 1978) took place in December 2010, although revenue from the sale was not received prior to 31 December 2010.

GULF OF MEXICO (GOM)

During the period the Company participated in the drilling of a well on Block GA A133 in the OCS GoM. The well spudded in December 2010 and was temporarily suspended in January 2011, awaiting tie in to production, after intersecting around 200 feet of net gas pay during drilling.

A Processing and Handling Agreement with the adjacent GA A155 Block and platform owners (operated by Peregrine) has also been executed. This allows Entek to process production from GA A133 through the adjacent GA A155 platform.

A plan of development is being prepared by the Operator, taking into consideration weather windows and the anticipated increase in gas price towards the end of 2011.

GREEN RIVER BASIN (GRB)

In the GRB, on 13 August 2009 the Company announced the execution of a Participation Agreement covering a farm-in to earn up to a 55% Working Interest in 66,000 acres of highly prospective and productive leased acreage, over a three year term, with the option to accelerate the farm-in process.

As part of the farmin process, the following works were carried out during the six months to 31st December 2010.

Three well workovers on Coal Bed Methane producing wells **Robidoux 13-15**, **Robidoux 13-12-89 #1** and **Robidoux 23-13** were carried out in July 2010 and have contributed to increased gas production during the six months to 31 December 2010.

The **Butter Lake 32-10 (32-10)** well was spudded on 30 July 2010 with the primary objective being the oil prone Niobrara Formation and the underlying Frontier Formation. The well was drilled to a Total Depth of 8,830 feet TVD following which it was completed and tested. Whilst oil was recovered from the well during testing, indications of formation damage were evident and the well was acid treated and perforated over 70 feet identified from log interpretation, which showed up to 370 feet net potential pay across the Niobrara Formation. The well was then returned to production for further evaluation. Initial rates following this work were 25 BOPD of 44 API oil and minor associated gas. Production was shut down in December 2010 due to limited road access at the onset of winter.

The **Battle Mountain 14-15A (14-15A)** well returned significant oil and gas shows while drilling in 2009 and recovered oil and gas during re-entry and testing operations in July 2010. Attempts to pull the existing casing liner were unsuccessful. The liner casing was then perforated across the Niobrara Formation and then flow tested. The presence of an oil/mud emulsion inhibited flow and operations were performed to clean the wellbore out by swabbing. Continuing emulsion problems and poor hole conditions forced the suspension of further testing, however ongoing intermittent flow is producing minimal quantities of oil.

The **Robidoux 13-15T (13-15T)** well returned significant oil and gas shows while drilling in 2009 and recovered oil and gas during this year's re-entry and testing operations. However, poor hole conditions resulting from the 2009 drilling operations have damaged the open hole Niobrara section.

Further testing in November 2010 recovered an additional 35 barrels, bringing total oil recovered during the reporting period to in excess of 50 barrels of 44 API oil, essentially the same quality as the oil recovered from Butter Lake 32-10.

The **CF&I Corp#1** well was tested in October 2010 at 240 BFPD at 90% water-cut at a flowing wellhead pressure (FWHP) of 100 PSI.

The well has exhibited production potential and further engineering work will be carried out with the intention of returning the well to production.

Company Funding

On 15 September 2010, the company announced it had reached agreement to raise $7.624 million (net of fees) through the placement of up to 62.5million shares at 13 cents per share, primarily to sophisticated and institutional investors.

The funds raised pursuant to the placement were used primarily to fund the development and exploration of Entek's oil and gas projects.

The placement was successfully completed in two Tranches. Tranche 1 comprised 33.5 million shares and was allotted immediately upon clearance of funds pursuant to Entek's 15% placement capacity. Tranche 2 comprising 29 million shares was issued following the receipt of approval at a General Meeting of shareholders, held on 22 October 2010.

EVENTS SUBSEQUENT TO BALANCE DATE

On 1 February 2011, the company announced the appointment of Graham Riley to the Board of the company in the position of Non Executive Chairman, replacing Craig McGown who remained on the Board as a Non Executive Director.

On 15 February 2011, the company announced the appointment of Alexander Forcke to the Board of the company in the position of Non Executive Director.

On 28 February 2011 the company announced the resignation from the Board of Craig McGown, Non Executive Director.

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 2010. This declaration has been attached to the independent review report to the members of the Company.

Signed in accordance with a resolution of the directors.

Trent Spry
Director, 11 March 2011
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 2010 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:

Trent Spry
Director, 11 March 2011
Perth, Western Australia

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Half-Year to 31 December 2010 $	Half-Year to 31 December 2009 $
CONTINUING OPERATIONS			
Revenue	2	1,593,773	1,023,208
Other income	2	—	199,093
Other expenses	2	(11,113,831)	(2,222,341)
PROFIT/(LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(9,520,058)	(1,000,040)
Income tax		—	—
PROFIT/(LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX		(9,520,058)	(1,000,040)
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences		568,542	(7,554)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX		(8,951,516)	(1,007,594)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		(8,951,516)	(1,007,594)
Comprehensive income/(loss) attributable to:			
Members of the parent entity:		(8,951,516)	(1,007,594)
BASIC EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(3.55)	(0.60)
DILUTED EARNINGS/(LOSS) PER SHARE (CENTS PER SHARE)		(3.55)	(0.60)

As the potential ordinary shares (options) on issue would increase the loss in the current period, they are not considered dilutive.

The accompanying notes form part of this financial report

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2010

	Note	31 December 2010 $	30 June 2010 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,850,591	5,877,978
Trade and other receivables		1,443,017	830,072
TOTAL CURRENT ASSETS		5,293,608	6,708,050
NON-CURRENT ASSETS			
Property, plant and equipment		104,003	55,714
Capitalised exploration expenditure		17,174,574	17,623,168
TOTAL NON-CURRENT ASSETS		17,278,577	17,678,882
TOTAL ASSETS		22,572,185	24,386,932
CURRENT LIABILITIES			
Trade and other payables		1,238,592	1,886,006
Provisions		199,378	21,364
Borrowings		—	28,197
TOTAL CURRENT LIABILITIES		1,437,970	1,935,567
NON-CURRENT LIABILITIES			
Provisions		—	117,330
TOTAL NON CURRENT LIABILITIES		—	117,330
TOTAL LIABILITIES		1,437,970	2,052,897
NET ASSETS		21,134,215	22,334,035
EQUITY			
Issued capital	3	36,058,178	28,433,670
Reserves	4	5,148,253	4,452,523
Accumulated losses		(20,072,216)	(10,552,158)
TOTAL EQUITY		21,134,215	22,334,035

The accompanying notes form part of this financial report

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Note	Half-Year to 31 December 2010 $	Half-Year to 31 December 2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,551,412	935,123
Payments to suppliers & employees		(2,994,845)	(858,910)
Interest received		42,361	78,298
Exploration and Development expenditure		(5,967,029)	(6,068,210)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		(7,368,101)	(5,913,699)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(52,376)	(16,892)
Sale of Investments		—	505,093
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		(52,376)	(488,201)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues		8,125,000	5,095,930
Share issue costs		(500,492)	(753,845)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		7,624,508	4,342,085
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		204,031	(1,083,413)
Net foreign exchange differences		(2,231,418)	(206,067)
Cash and cash equivalents at beginning of period		5,877,978	7,711,811
CASH AND CASH EQUIVALENTS AT END OF PERIOD		3,850,591	6,422,331

The accompanying notes form part of this financial report

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Attributable to Members of the Company	**Issued Capital** $	**Option Premium Reserve** $	**Currency Translation Reserve** $	**Accumulated Losses** $	**Total Equity** $
At 1 July 2009	17,357,312	4,092,389	154,061	(9,005,358)	12,598,404
Currency translation differences	—	—	(7,554)	—	(7,554)
Loss for period	—	—	—	(1,000,040)	(1,000,040)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	—	—	(7,554)	(1,000,040)	(1,007,594)
Shares issued	4,388,878	21,880	—	—	4,410,758
Shares to be issued	6,687,480	—	—	—	6,687,480
AT 31 DECEMBER 2009	28,433,670	4,114,269	146,507	(10,005,398)	22,689,048

Attributable to Members of the Company	**Issued Capital** $	**Option Premium Reserve** $	**Currency Translation Reserve** $	**Accumulated Losses** $	**Total Equity** $
At 1 July 2010	28,433,670	4,363,047	89,476	(10,552,158)	22,334,035
Currency translation differences	—	—	568,542	—	568,542
Loss for period	—	—	—	(9,520,058)	(9,520,058)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	—	—	568,542	(9,520,058)	(8,951,516)
Shares issued	7,624,508	127,188	—	—	7,751,696
Shares to be issued	—	—	—	—	—
AT 31 DECEMBER 2010	36,058,178	4,490,235	658,018	(20,072,216)	21,134,215

The accompanying notes form part of this financial report

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

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 2010. 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 2010 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 2010.

Accounting Standards not previously applied

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no affect on the amounts reported for the current or prior periods. However, the only amendment that has had a material impact and resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements is the presentation of exploration costs in the statement of cash flows. AASB 107 *Statement of Cash Flows* has been amended through AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statements of cash flows.

Consequently, cash flows in respect of exploration costs that are expensed as incurred or are impaired in full at the end of the reporting period have been reclassified from investing to operating activities in the statement of cash flows. Prior year amounts have been restated for consistent presentation.

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

Other than the changes identified above, 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 2010.

Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Due diligence costs associated with exploration and development expenditure are fully written off. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the relevant permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

	Half-Year to 31 December 2010 $	Half-Year to 31 December 2009 $
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 and gas sales	1,494,734	944,910
Interest received	42,361	78,298
Rental Income	56,678	—
	1,593,773	1,023,208
OTHER INCOME		
Profit realised on sale of financial assets	—	199,093
	—	199,093

CONDENSED NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

	Half-Year to 31 December 2010 $	Half-Year to 31 December 2009 $
CHARGING AS EXPENSES		
Staff and consultants	536,574	511,381
Oil and gas operations expenses	4,749,007	204,729
Legal fees	30,762	28,478
Amortisation of capitalised expenditure	1,042,694	257,063
Cost of share based payment	127,187	21,880
Foreign currency translation differences	3,943,840	615,367
Net change in fair value of available for sale financial assets	—	—
Other	683,767	583,443
	11,113,831	2,222,341

NOTE 3. ISSUED CAPITAL

	Half-Year to 31 December 2010 $	Year to 30 June 2010 $
ORDINARY SHARES		
287,692,535 (30 June 2010: 225,192,535) fully paid ordinary shares	36,058,174	28,433,666
1,000,000 (30 June 2010: 1,000,000) fully paid discovery shares	4	4
	36,058,178	28,433,670
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the period	28,433,666	17,357,308
33,500,000 shares issued on 28 September 2010	4,355,000	—
29,000,000 shares issued on 1 November 2010	3,770,000	—
747 shares issued on 12 October 2009	—	149
1,875 shares issued on 30 November 2009	—	375
300,000 shares issued on 21 December 2009	—	38,700
34,064,895 shares issued on 21 December 2009	—	6,812,979
22,594,240 shares issued on 30 December 2009	—	4,518,848
2,295,760 shares issued on 5 January 2010	—	459,152
Share issue expenses	(500,492)	(753,845)
AT THE END OF THE FINANCIAL PERIOD	36,058,174	28,433,666

NOTE 4. RESERVES

Option premium reserve	4,490,235	4,363,047
Currency translation reserve	658,018	89,476
	5,148,253	4,452,523
MOVEMENTS IN OPTION PREMIUM RESERVE		
At the beginning of the period	4,363,047	4,092,389
Share based payments expense	127,188	270,658
AT THE END OF THE FINANCIAL PERIOD	4,490,235	4,363,047

	Half-Year to 31 December 2010 $	Year to 30 June 2010 $
MOVEMENTS IN CURRENCY TRANSLATION RESERVE		
At the beginning of the period	89,476	154,061
Consolidation adjustment for the half-year	568,542	(64,585)
AT THE END OF THE FINANCIAL PERIOD	658,018	89,476

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 2010 and also during the half-year ended 31 December 2009, 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 2010				
Australasia	213,435	985,586	1,199,021	(5,194,207)
North America	1,380,338	—	1,380,338	(4,325,851)
TOTAL	1,593,773	985,586	2,579,359	(9,520,058)

	External Revenue $	Inter-Segment Revenue $	Total Revenue $	Segment Profit/(Loss) $
HALF-YEAR TO 31 DECEMBER 2009				
Australasia	174,932	614,298	789,230	(1,270,268)
North America	848,276	—	848,276	270,228
TOTAL	1,023,208	614,298	1,637,506	(1,000,040)

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

NOTE 7. CONTINGENT LIABILITIES

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

NOTE 8. EVENTS SUBSEQUENT TO BALANCE DATE

On 1 February 2011, the company announced the appointment of Graham Riley to the Board of the company in the position of Non Executive Chairman, replacing Craig McGown who remained on the Board as a Non Executive Director.

On 15 February 2011, the company announced the appointment of Alexander Forcke to the Board of the company in the position of Non Executive Director.

On 28 February 2011 the company announced the resignation from the Board of Craig McGown, Non Executive Director.

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as
Stantons International
Chartered Accountants and Consultants

11 March 2011

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

Dear Directors

RE: ENTEK ENERGY LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Entek Energy Limited.

As the Audit Director for the review of the financial statements of Entek Energy Limited for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours faithfully
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Martin Michalik

Martin Michalik
Director

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Chartered Accountants and Consultants

**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 condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Entek Energy Limited (the consolidated entity). The consolidated entity comprises both Entek Energy Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Entek Energy Limited 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* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a 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 consolidated entity's financial position as at 31 December 2010 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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

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 11 March 2011.

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:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Martin Michalik
Director

West Perth, Western Australia
11 March 2011