

Annual Financial Report 2012

OPERATIONS REPORT

DIRECTORS: Graham Douglas Riley (Chairman)
Trent Benjamin Spry (Managing Director)
Andrew John Padman
Alexander Forcke

COMPANY SECRETARY: Andrew James Gastevich

ABN: 43 108 403 425

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

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

AUDITORS: **Stantons International**
Level 2, 1 Walker Avenue
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: **Gilbert & Tobin**
1202 Hay Street
West Perth, Western Australia 6005

Andrews Kurth
600 Travis, Suite 4200
Houston, Texas 77002

Fulbright & Jaworski
1200 17th Street, Suite 1000
Denver, Colorado 80202-5835

OPERATIONS REPORT

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

Wells Fargo Bank, NA

1740 Broadway
Denver, Colorado 80274

This annual financial report covers both Entek Energy Limited as an individual entity and the Consolidated Entity comprising Entek Energy Limited and its subsidiaries. The Group's presentation currency is Australian Dollars (\$). The functional currency of Entek Energy Limited and Cities Energy Pty Ltd is Australian Dollars (\$) and the functional currency of all other subsidiaries of Entek Energy Limited is United States Dollars (US\$). A description of the Group's operations and of its principal activities is included in the review of operations and activities in the directors' report. The directors' report is not part of the annual financial report.

DIRECTORS' REPORT

The directors of Entek Energy Limited A.C.N. 108 403 425 ("Parent Entity" or "Company") present their report including the consolidated annual financial report of the Company and its controlled entities ("Consolidated Entity" or "Group") for the year ended 30 June, 2012. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

DIRECTORS

The names of the directors of the Company in office at any time during or since the financial year and up to the date of this financial report are as follows. Directors were in office for the entire period unless otherwise stated.

Graham Douglas Riley
Trent Benjamin Spry
Andrew John Padman
Alexander Forcke

PRINCIPAL ACTIVITIES

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

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

OPERATING RESULTS

The operating loss for the Consolidated Entity, after income tax amounted to \$1,991,298. (2011, loss of \$14,387,732). Items material to the 2012 result include:

- Revenue from Oil and Gas sales \$2,933,700 (2011: \$2,662,947) and Interest Income of \$284,078 (2011: \$61,670).
- A realised foreign currency translation profit of \$2,144,261 was recorded compared to a loss of \$5,679,628 in the previous financial year due to the depreciation of the Australian dollar against the US dollar. The majority of the foreign currency translation profit relates to a loan from the Australian Parent entity to fund its US subsidiary. At 30 June, 2012 this loan stood at \$50.8m (2011: \$36.6m).
- The Company sold its Gulf of Mexico assets, HI24, VR 341 and VR 342 resulting in a profit of \$3,758,326. (2011: \$nil)
- Expensing of Exploration Expenditure of \$3,499,945, compared to \$6,580,036 in 2011. The reason for such a differential arose from the Company adopting for Entek GRB, LLC with regards to its onshore assets based in the Green River Basin, the "successful methods" basis of accounting during the prior year ended 30 June 2011. This method allows the Company to capitalise only those expenses associated with successfully locating new oil and gas reserves. This change of policy led to a one off charge of approximately \$2.4 million relating to prior year costs in the 2011 financial report.
- Amortisation/Impairment of Capitalised Expenditure of \$5,070,509 compared to \$1,723,191 in 2011. The increase is principally due to the Company incurring a loss (\$1.7m) this year on the write off of some of its exploration blocks in the Gulf of Mexico (MP 252, GB 115 and VK 818) due to the impending expiry of their respective lease terms and the commencement of production of GA-A133 which resulted in amortisation and depreciation charges against this asset.

DIRECTORS' REPORT

DIVIDENDS

No dividends have been paid or declared since the start of the financial year by the Company.

The directors have recommended that no dividend be paid by the Company in respect of the year ended 30 June, 2012.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS AND REVIEW OF OPERATIONS

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

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

LIKELY DEVELOPMENTS

The directors intend to actively pursue the exploration and development of the oil and gas leases in the United States in which the Company has an interest. The directors are of the opinion that further information as to the likely developments in the operations of the Company would prejudice the interests of the Company and it has accordingly not been included.

ENVIRONMENTAL ISSUES

The Company is liable for its share of the cost of abandonment of its producing assets in the Gulf of Mexico. As such it has provided in the accounts the following amounts - Padre North 975 project \$73,594 (US\$75,000), and Galveston A133 project \$487,566 (US\$496,879). The Company is expected to fully recover these costs upon the sale of the production facilities.

On 1 May 2010, the Company commenced as operator in the Green River Basin region of the United States of America. This basin encompasses parts of the States of Colorado and Wyoming. The Company complies with its environmental obligations in this area, and there have been no significant known breaches of the Company's licence or permit conditions. In addition, no Federal or State Government agency has notified the Company of any environmental breaches since commencement as operator. The Company has however provided the amount of \$196,252 (US\$200,000) in the event any such breach should occur.

INFORMATION ON DIRECTORS AND COMPANY SECRETARY

GRAHAM DOUGLAS RILEY
CHAIRMAN (NON-EXECUTIVE)

Qualifications:

Bachelor of Jurisprudence and Bachelor of Laws from the University of Western Australia

DIRECTORS' REPORT

Experience:

Mr Riley is a qualified legal practitioner with significant experience in the resources sector, particularly in oil and gas exploration and production. He was a foundation Director of ARC Energy Limited and a former Non-Executive Director of Adelphi Energy Limited prior to its takeover in 2010. Mr Riley was also Chairman of Red Hill Limited and Giralia Resources N.L., where prior to its takeover he oversaw the spin out of numerous independently listed commodity-specific explorers. He is currently the Chairman of Gascoyne Resources Limited and Buru Energy Limited, and a Non Executive Director of Target Energy Limited.

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

Non-Executive Chairman of Gascoyne Resources Limited from 19 October 2009, Buru Energy Limited from 31 March 2009 and Giralia Resources from 30 June 1998 to 2 March 2011. Non-Executive Director of Target Energy Limited from 13 December 2010 and Adelphi Energy Limited from 10 January 2005 to 16 July 2010.

Special Responsibilities:

Member of the Remuneration Committee and Audit Committee.

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

8,349,838 Ordinary Shares, 1,000,000 options exercisable at 21 cents and expiring on 24 May 2014 and 1,000,000 options exercisable at 28 cents and expiring on 24 May 2014.

Directors' meetings attended: 8 (eligible to attend 8).

TRENT BENJAMIN SPRY

DIRECTOR AND CHIEF EXECUTIVE OFFICER

Qualifications:

Bachelor of Science from the University of South Australia, Double Major Geology & Biochemistry, National Centre of Petroleum Geology & Geophysics (NCPGG), First Class Honours, 1993.

Experience:

Mr Trent Spry commenced with the Company in December 2008 as General Manager and has been involved in the Company's successful increase in production and reserves, both onshore and offshore since his appointment. On 5th October 2010 he was appointed a Director and Chief Executive Officer of the Company. Mr. Spry has brought to the Company 20 years of global experience in the oil and gas industry. He has enjoyed successful careers with BHP Petroleum, Woodside Energy and RPS Energy and has consulted for international and national energy companies globally. He has an excellent track record of finding oil and gas and identifying quality prospects and hydrocarbon plays. He has vast experience in Gulf of Mexico exploration and new ventures and global onshore experience, including characterisation petroleum systems such as those in Entek's Green River Basin portfolio.

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

None.

Special Responsibilities: N/A.

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

593,750 Ordinary shares and 1,000,000 options exercisable at 25 cents expiring 31 October 2013, 1,000,000 options exercisable at 35 cents expiring 31 October 2013, 2,000,000 options exercisable at 50 cents expiring 31 October 2013, 1,500,000 options exercisable at 21 cents and expiring on 24 May 2014 and 1,500,000 options exercisable at 28 cents and expiring on 24 May 2014.

Directors' meetings attended: 8 (eligible to attend 8).

DIRECTORS' REPORT

ALEXANDER FORCKE

DIRECTOR (NON-EXECUTIVE)

Qualifications:

Bachelor of Commerce degree from the University of Western Australia. He is a member of the Australian Institute of Company Directors.

Experience:

Mr Alex Forcke is a public company executive with considerable financial and commercial experience gained in over 25 years in both the resources and investment banking industries. Mr Forcke was the Executive Chairman of Adelphi Energy Limited, a successful ASX listed oil & gas explorer with US shale gas interests prior to being taken over in 2010. He was also a long standing Director of ARC Energy Limited in a commercial and financial executive role. Prior to entering the oil and gas industry, Mr Forcke had established an international career in project finance and investment banking, including the position as WA State Manager and Director of Project and Specialised Finance for AIDC Ltd.

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

Executive Director and Chairman of Adelphi Energy Limited from 10 January 2005 to 16 July 2010.

Special Responsibilities:

Member of the Remuneration Committee and Chairman of the Audit Committee.

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

3,000,000 Ordinary Shares and 1,000,000 options exercisable at 21 cents and expiring on 24 May 2014 and 1,000,000 options exercisable at 28 cents and expiring on 24 May 2014

Directors' meetings attended: 8 (eligible to attend 8).

ANDREW JOHN PADMAN

DIRECTOR (NON-EXECUTIVE)

Qualifications:

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

Experience:

Mr Padman has over 33 years experience in the upstream petroleum E & P industry, working on new ventures, exploration and exploitation projects in the sedimentary basins of South East Asia and the United Kingdom (North Sea) and most of the basins of Australia and New Zealand, with experience in the Gulf Coast of the United States.

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

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

None.

DIRECTORS' REPORT

Special Responsibilities:

Chairman of the Remuneration Committee and member of the Audit Committee.

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

1,000,000 Ordinary shares, 1,000,000 options exercisable at 21 cents and expiring on 24 May 2014 and 1,000,000 options exercisable at 28 cents and expiring on 24 May 2014.

Directors' meetings attended: 8 (eligible to attend 8).

ANDREW JAMES GASTEVICH

COMPANY SECRETARY

Qualifications

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

Experience

Mr Gastevich is a Chartered Accountant with over 20 years experience. He worked with a big four Chartered Accounting firm for 8 years before forming his own Chartered Accounting practice and operating that also for a period of 8 years. He worked at Australia's largest privately owned iron ore mining company before becoming the Chief Financial Officer/Chief Operating Officer/Company Secretary for a national company involved in the provision of professional services to both business and government. He was then a founding Director and Company Secretary for Avonlea Minerals Limited, which successfully listed on the ASX in 2007, before joining this Company.

DIRECTORS' MEETINGS

During the year ended 30 June 2012, 8 meetings of directors were held.

REMUNERATION REPORT (AUDITED)

Remuneration is based on fees approved by the Board of Directors. There is no relationship between the performance of, or the impact on shareholder wealth of, the Company for the current financial year or the previous four financial years and either the remuneration of directors and executives or the issue of shares and options to directors. Remuneration is set at levels to reflect market conditions and encourage the continued services of directors and executives.

The Company has an agreement with a company controlled by Mr Trent Spry, an executive director of the Company. The agreement is valid to September 2014 and provides for remuneration of \$30,625 per month, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice in the event it is terminated. In the event of termination under no fault of the contractor, he qualifies for a termination payment for a minimum of three months and a maximum of 12 months depending on the remaining term of his contract. Aside from this benefit there are no termination benefits specified in this agreement.

The Company has an agreement with a company controlled by Mr Graham Riley, Chairman of the Company, for provision of his services as a non-executive chairman. The term of the agreement commenced on 1 February 2011 and in accordance with the Company's Constitution, cannot hold office for more than 3 years without retiring, but will be eligible to be re-elected. He is paid \$7,267 per month, as well as costs relating to performance of duties as a director. There is no termination notice period or termination benefit specified in this agreement.

DIRECTORS' REPORT

The Company has an agreement with Mr Alexander Forcke, a director of the Company for provision of his services as a non-executive director. The term of the agreement commenced on 15 February 2011 and in accordance with the Company's Constitution, he cannot hold office for more than 3 years without retiring, but will be eligible for re-election. He is paid \$4,542 per month, as well as costs relating to the performance of his duties as a director. There is no termination notice period or termination benefit specified in this agreement.

The Company has an agreement with a company controlled by Mr Andrew Padman, a director of the Company for provision of his services as a non-executive director. The term of the agreement commenced on 1 September 2008 and in accordance with the Company's Constitution, he cannot hold office for more than 3 years without retiring, but will be eligible for re-election. He is paid \$4,542 per month, as well as costs relating to the performance of his duties as a director. There is no termination notice period or termination benefit specified in this agreement.

The Company has an agreement with Mr Andrew Gastevich, the Company Secretary and Chief Financial Officer of the Company for provision of his services. The agreement is valid to September 2014 and provides for remuneration of \$20,125 per month plus superannuation as required by law, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice period in certain circumstances in the event it is terminated. In the event of termination under no fault of the employee, he qualifies for a termination payment for a minimum of three months and a maximum of 12 months depending on the remaining term of his contract. There are no other termination benefits specified in this agreement.

The Company has an agreement with Mr Timothy Hopkins, the US Regional Manager of the Company for provision of his services. The agreement is for an unspecified period from 1 January 2011 and provides for remuneration of US\$16,667 per month, as well as mobile phone costs, professional memberships costs and business related expenses. The agreement specifies a three month notice period in the event it is terminated. There are no other termination benefits specified in this agreement.

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

The names and positions of key management personnel of the Company and of the Consolidated Entity who have held office during the financial year are:

DIRECTORS

Trent Spry	Executive Director & Chief Executive Officer
Graham Riley	Non-Executive Chairman
Andrew Padman	Non-Executive Director
Alexander Forcke	Non-Executive Director

EXECUTIVES

Andrew Gastevich	Company Secretary
David Christian	Director of Entek USA Inc
Timothy Hopkins	US Regional Manager

DIRECTORS' REPORT

	Total Remuneration 2012			Total
	Salary and Fees	Annual Leave	Super-annuation	
	\$	\$	\$	\$
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Trent Spry	350,958	-	-	350,958
Graham Riley	87,200	-	-	87,200
Andrew Padman	54,500	-	-	54,500
Alexander Forcke	54,500	-	-	54,500
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	547,158	-	-	547,158

	Total Remuneration 2012			Total
	Salary and Fees	Annual Leave	Super-annuation	
	\$	\$	\$	\$
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS				
Andrew Gastevich	211,008	12,021	18,991	242,020
David Christian	56,263	-	-	56,263
Timothy Hopkins	254,784	-	-	254,784
TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES	522,055	12,021	18,991	553,067

	Equity Remuneration 2012		
	Shares	Options	Total
	\$	\$	\$
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Trent Spry	-	79,606	79,606
Graham Riley	-	51,621	51,621
Andrew Padman	-	51,621	51,621
Alexander Forcke	-	51,621	51,621
TOTAL EQUITY REMUNERATION FOR SPECIFIED DIRECTORS	-	234,469	234,469

DIRECTORS' REPORT

	Equity Remuneration 2012		
	Shares	Options	Total
	\$	\$	\$
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Andrew Gastevich	-	52,278	52,278
David Christian	-	23,792	23,792
Timothy Hopkins	-	59,359	59,359
TOTAL EQUITY REMUNERATION FOR SPECIFIED EXECUTIVES	-	135,429	135,429

	Primary Remuneration \$	Total Remuneration 2012		Equity Remuneration % of Total
		Equity Remuneration \$	Total \$	
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Trent Spry	350,958	79,606	430,564	18%
Graham Riley	87,200	51,621	138,821	37%
Andrew Padman (see Note 1 below)	54,500	51,621	106,121	49%
Alexander Forcke (see Note 2 below)	54,500	51,621	106,121	49%
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	547,158	234,469	781,627	30%

	Primary Remuneration \$	Total Remuneration 2012		Equity Remuneration % of Total
		Equity Remuneration \$	Total \$	
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS				
Andrew Gastevich	242,020	52,278	294,298	19%
David Christian	56,263	23,792	80,055	30%
Timothy Hopkins	254,784	59,359	314,143	19%
TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES	553,067	135,429	688,496	20%

Note 1: During the year, the company AJP Exploration Pty Ltd, a company associated with the Director, provided consultancy services and invoiced the amount of \$24,200 (2011: \$Nil)

Note 2: During the year, the company AF Consulting Pty Ltd, a company associated with the Director, provided consultancy services and invoiced the amount of \$21,000 (2011: \$Nil)

In addition, during the financial year, the Company paid premiums for Directors and Officers liability insurance of \$23,990 (2011 \$ 23,825).

DIRECTORS' REPORT

	Total Remuneration 2011			Total \$
	Salary and Fees \$	Annual Leave \$	Super- annuation \$	
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Trent Spry	439,843	-	-	439,843
Graham Riley	36,333	-	-	36,333
Andrew Padman	54,500	-	-	54,500
Alexander Forcke	20,438	-	-	20,438
Russell Brimage	414,720	-	-	414,720
Craig McGown	63,750	-	-	63,750
David Craig	20,833	-	1,875	22,708
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	1,050,417	-	1,875	1,052,292

	Total Remuneration 2011			Total \$
	Salary and Fees \$	Annual Leave \$	Super- annuation \$	
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Andrew Gastevich	212,989	13,159	19,169	245,317
David Christian	166,486	-	-	166,486
Michael Verm	213,427	-	-	213,427
Timothy Hopkins	93,955	-	-	93,955
TOTAL PRIMARY REMUNERATION FOR SPECIFIED EXECUTIVES	686,857	13,159	19,169	719,185

	Equity Remuneration 2011		
	Shares \$	Options \$	Total \$
REMUNERATION OF DIRECTORS BASED ON APPROVAL BY THE BOARD OF DIRECTORS AND SHAREHOLDERS.			
Trent Spry	-	106,641	106,641
Graham Riley	-	63,232	63,232
Andrew Padman	-	63,232	63,232
Alexander Forcke	-	63,232	63,232
TOTAL EQUITY REMUNERATION FOR SPECIFIED DIRECTORS	-	296,337	296,337

DIRECTORS' REPORT

	Equity Remuneration 2011		
	Shares	Options	Total
	\$	\$	\$
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.			
Andrew Gastevich	-	66,181	66,181
David Christian	-	90,907	90,907
Michael Verm	-	90,907	90,907
Timothy Hopkins	-	40,362	40,362
TOTAL EQUITY REMUNERATION FOR SPECIFIED EXECUTIVES	-	288,357	288,357

On 25 May 2011, the Company issued the following options to Directors:

- 2,250,000 free options exercisable immediately at 21 cents each and expiring on 24 May 2014.
- 2,250,000 free options exercisable immediately at 28 cents each and expiring on 24 May 2014.
- 2,250,000 free options which vest and become exercisable on 24 May 2012 at 21 cents each and expiring on 24 May 2014.
- 2,250,000 free options which vest and become exercisable on 24 May 2012 at 28 cents each and expiring on 24 May 2014.

The issue of these options was approved at a General Meeting of shareholders held on 18 May 2011.

The directors' 21 cent options were valued on the date of issue at 6.17 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

The directors' 28 cent options were valued on the date of issue at 5.32 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

On 26 May 2011, the Company issued the following Employee Options:

- 500,000 free options exercisable immediately at 21 cents each and expiring on 24 May 2014.
- 500,000 free options exercisable immediately at 28 cents each and expiring on 24 May 2014.
- 500,000 free options which vest and become exercisable on 24 May 2012 at 21 cents each and expiring on 24 May 2014.
- 500,000 free options which vest and become exercisable on 24 May 2012 at 28 cents each and expiring on 24 May 2014.

The issue of these options was in accordance with the Company's Employee Share Option Plan, which was approved at the Annual General Meeting of shareholders held on 25 November 2010.

The executive's 21 cent options were valued on the date of issue at 6.17 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

The executive's 28 cent options were valued on the date of issue at 5.32 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

Also on 26 May 2011, the Company issued the following Employee Options:

- 750,000 free options exercisable immediately at 20 cents each and expiring on 31 December 2012.
- 750,000 free options which vest and become exercisable on 1 January 2012 at 25 cents each and expiring on 31 December 2013.
- 750,000 free options which vest and become exercisable on 1 January 2013 at 30 cents each and expiring on 31 December 2014.

The issue of these options was in accordance with the Company's Employee Share Option Plan, which was approved at the Annual General Meeting of shareholders held on 25 November 2010.

The executive's 20 cent options were valued on the date of issue at 4.16 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.84% and a volatility factor of 87.3%.

DIRECTORS' REPORT

The executive's 25 cent options were valued on the date of issue at 5.09 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

The executive's 30 cent options were valued on the date of issue at 5.90 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

	Primary Remuneration \$	Total Remuneration 2011		Equity Remuneration % of Total
		Equity Remuneration \$	Total \$	
REMUNERATION OF DIRECTORS BASED ON FEES APPROVED BY THE BOARD OF DIRECTORS.				
Trent Spry (<i>see Note 1 below</i>)	439,843	106,641	546,484	20%
Graham Riley	36,333	63,232	99,565	64%
Andrew Padman	54,500	63,232	117,732	54%
Alexander Forcke	20,438	63,232	83,670	76%
Russell Brimage (<i>see Note 2 below</i>)	414,720	-	414,720	-
Craig McGown	63,750	-	63,750	-
David Craig	22,708	-	22,708	-
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	1,052,292	296,337	1,348,629	22%

	Primary Remuneration \$	Total Remuneration 2011		Equity Remuneration % of Total
		Equity Remuneration \$	Total \$	
REMUNERATION OF EXECUTIVES BASED ON APPROVAL BY THE BOARD OF DIRECTORS.				
Andrew Gastevich (<i>see Note 3 below</i>)	245,317	66,181	311,498	21%
David Christian	166,486	90,907	257,393	35%
Michael Verm	213,427	90,907	304,334	30%
Timothy Hopkins	93,955	40,362	134,317	30%
TOTAL PRIMARY REMUNERATION FOR SPECIFIED DIRECTORS	719,185	288,357	1,007,542	29%

Note 1: Includes 2010 bonus payment of \$50,253

Note 2: Includes Termination Payment in accordance with Employment Contract of \$148,720

Note 3: Includes 2010 bonus payment of \$13,516

DIRECTORS' REPORT

EQUITY INSTRUMENTS

Analysis of Options and Rights Over Equity Instruments Granted as Compensation

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

Directors	Options Granted			% Forfeited in Year	Financial Years in Which Grant Vests
	Number	Date	% Vested in Year		
Trent Spry	1,000,000	01-Dec-08	100%	-	30 th June 2009
	1,000,000	01-Dec-08	100%	-	30 th June 2010
	1,000,000	01-Dec-08	100%	-	30 th June 2011
	1,000,000	01-Dec-08	100%	-	30 th June 2012
	1,500,000	25-May-11	100%	-	30 th June 2011
	1,500,000	25-May-11	100%	-	30 th June 2012
Graham Riley	1,000,000	25-May-11	100%	-	30 th June 2011
	1,000,000	25-May-11	100%	-	30 th June 2012
Andrew Padman	1,000,000	25-May-11	100%	-	30 th June 2011
	1,000,000	25-May-11	100%	-	30 th June 2012
Alexander Forcke	1,000,000	25-May-11	100%	-	30 th June 2011
	1,000,000	25-May-11	100%	-	30 th June 2012
Executives					
Andrew Gastevich	250,000	01-Dec-08	100%	-	30 th June 2009
	250,000	01-Dec-08	100%	-	30 th June 2010
	250,000	01-Dec-08	100%	-	30 th June 2011
	250,000	01-Dec-08	100%	-	30 th June 2012
	1,000,000	26-May-11	100%	-	30 th June 2011
	1,000,000	26-May-11	100%	-	30 th June 2012
David Christian	750,000	29-Apr-10	100%	-	30 th June 2010
	750,000	29-Apr-10	100%	-	30 th June 2011
	750,000	29-Apr-10	100%	-	30 th June 2012
Timothy Hopkins	750,000	26-May-11	100%	-	30 th June 2011
	750,000	26-May-11	100%	-	30 th June 2012
	750,000	26-May-11	-	-	30 th June 2013

DIRECTORS' REPORT

Analysis of Movements in Options

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

	Total Granted in Year*	Value of Options Exercised in Year	Lapsed in Year
	\$	\$	\$
Directors			
Trent Spry	-	-	-
Graham Riley	-	-	-
Andrew Padman	-	-	-
Alexander Forcke	-	-	-
Executives			
Andrew Gastevich	-	-	-
David Christian	-	-	-
Timothy Hopkins	-	-	-

* = This is the total value of options granted during the year and not the value of options vested.

SHARE OPTIONS ISSUED

Details of options issued on 1 July 2011 are set out on page 43 (Note 17) of this Annual Financial Report.

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

SHARE OPTIONS OUTSTANDING

During the year ended 30 June 2012, no options were exercised.

DIRECTORS' REPORT

Options to subscribe for unissued fully paid ordinary shares in the Company at the date of this report (all options were held by Directors or Key Management Personal at the date of this report):

Status	Number	Exercise Price \$	Expiry Date
Non-Listed	750,000	0.20	31/12/2012
Non-Listed	1,500,000	0.50	31/01/2013
Non-Listed	1,250,000	0.25	31/10/2013
Non-Listed	1,250,000	0.35	31/10/2013
Non-Listed	2,500,000	0.50	31/10/2013
Non-Listed	750,000	0.25	31/12/2013
Non-Listed	1,500,000	0.70	31/01/2014
Non-Listed	5,500,000	0.21	24/05/2014
Non-Listed	5,500,000	0.28	24/05/2014
Non-Listed	500,000	0.25	30/06/2014
Non-Listed	500,000	0.30	30/06/2014
Non-Listed	750,000	0.30	31/12/2014
22,250,000			

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

INDEMNIFYING AND INSURING DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums for Directors and Officers liability insurance of \$23,990 (2011: \$23,825). Except as disclosed above, the Company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the Company or a related body corporate:

- a) indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- b) paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

CORPORATE GOVERNANCE

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

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

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

DIRECTORS' REPORT

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

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

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

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

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

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

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

- the Audit Committee.
- the Remuneration Committee

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

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

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

The Board values diversity in all aspects of its business and is committed to creating a working environment that recognises and utilizes the contribution of its employees. The purpose of this is to provide diversity and equality relating to all employment matters. The Company's policy is to recruit and manage on the basis of ability and qualification for the position and performance, irrespective of gender, age, marital status, sexuality, nationality, race/cultural background, religious or political opinions, family responsibilities or disability. The Company opposes all forms of unlawful and unfair discrimination.

DIRECTORS' REPORT

The Board acknowledges the absence of female participation on the Board of Directors. However, the Board has determined that the composition of the current Board represents the best mix of Directors that have an appropriate range of qualifications and expertise, can understand and competently deal with current and emerging business issues and can effectively review and challenge the performance of management.

The Company has not set or disclosed measurable objectives for achieving gender diversity. Due to the size of the Company, the Board does not deem it practical to limit the Company to specific targets for gender diversity as it operates in a very competitive labour market where positions are sometimes difficult to fill. However, every candidate suitably qualified for a position has an equal opportunity of appointment regardless of gender, age, ethnicity or cultural background.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with the section 307C of the Corporations Act 2001, the auditors of the Company, Stantons International have provided a signed Auditor's Independence Declaration to the directors in relation to the year ended 30 June 2012. This declaration has been included in this document.

There were no other fees charged by the auditors or related entities during the 2012 financial year (2011: \$1,275). The directors are satisfied this did not compromise the auditor's independence.

Signed in accordance with a resolution of the directors.



Trent Spry
Director and Chief Executive Officer

26 September 2012
Perth, Western Australia

DIRECTORS' DECLARATION

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

In the opinion of the directors:

- 1) the financial statements and notes of the Company and of the Consolidated Entity to these statements are in accordance with the Corporations Act 2001 including:
 - a) complying with Accounting Standards and the Corporations Regulations 2001; and
 - b) giving a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and the Consolidated Entity;
- 2) the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - b) the financial statements and notes for the financial year comply with the Accounting Standards;
 - c) the financial statements and notes for the financial year give a true and fair view;
- 3) the financial statements and notes for the financial year also comply with International Financial Reporting Standards as disclosed in Note 1; and
- 4) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board of Directors.



Trent Spry
Director and Chief Executive Officer

26 September 2012
Perth, Western Australia

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Entity	
	Note	2012	2011
		\$	\$
Revenue	2	3,217,778	2,724,617
Other income	2	3,937,647	137,627
Expenses	2	(9,146,723)	(17,249,976)
PROFIT/ (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAX		(1,991,298)	(14,387,732)
Income tax	3	-	-
PROFIT/ (LOSS) FROM CONTINUING OPERATIONS AFTER INCOME TAX	4	<u>(1,991,298)</u>	<u>(14,387,732)</u>
OTHER COMPREHENSIVE INCOME			
Foreign currency translation differences		(530,692)	852,370
Income tax on other comprehensive income	3	-	-
OTHER COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR, NET OF INCOME TAX		(2,521,990)	(13,535,362)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		(2,521,990)	(13,535,362)
COMPREHENSIVE INCOME / (LOSS) ATTRIBUTABLE TO:			
MEMBERS OF THE PARENT ENTITY:		<u>(2,521,990)</u>	<u>(13,535,362)</u>
BASIC EARNINGS/ (LOSS) PER SHARE (CENTS PER SHARE)			
	5	(0.39)	(4.70)
DILUTED EARNINGS/ (LOSS) PER SHARE (CENTS PER SHARE)			
	5	(0.39)	(4.70)

The above consolidated statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

		Consolidated Entity	
	Note	2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	14	11,033,486	16,828,910
Trade and other receivables	6	1,752,927	1,889,691
Asset held for sale	21(b)	1,138,676	-
TOTAL CURRENT ASSETS		13,925,089	18,718,601
NON-CURRENT ASSETS			
Trade and other receivables	7	250,501	112,889
Plant and equipment	8	128,875	87,749
Capitalised exploration expenditure	9(a)	24,455,455	20,250,778
Production Plant and Equipment	9(b)	1,706,082	4,647,540
TOTAL NON-CURRENT ASSETS		26,540,913	25,098,956
TOTAL ASSETS		40,466,002	43,817,557
CURRENT LIABILITIES			
Trade and other payables	10	973,235	2,453,500
Provisions	11(a)	54,897	35,161
TOTAL CURRENT LIABILITIES		1,028,132	2,488,661
NON-CURRENT LIABILITIES			
Provisions	11(b)	757,413	583,582
TOTAL NON-CURRENT LIABILITIES		757,413	583,582
TOTAL LIABILITIES		1,785,545	3,072,243
NET ASSETS		38,680,457	40,745,314
EQUITY			
Issued capital	12	59,791,934	59,795,617
Reserves	13	5,819,711	5,889,587
Accumulated losses	4	(26,931,188)	(24,939,890)
TOTAL EQUITY		38,680,457	40,745,314

The above consolidated statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Entity	
	Note	2012	2011
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		3,089,358	2,993,812
Payments to suppliers & employees		(2,110,261)	(2,801,126)
Interest received		284,078	61,670
NET CASH FROM OPERATING ACTIVITIES	14	1,263,175	254,356
CASH FLOWS FROM INVESTING ACTIVITIES			
Capitalised exploration expenditure		(14,793,948)	(14,877,420)
Production plant and equipment		-	(4,074,218)
Production expenditure		(654,845)	(463,785)
Purchase of plant and equipment		(47,567)	(55,735)
Proceeds from sale of exploration licences		8,503,688	-
Bonds/Deposits		-	(112,889)
NET CASH (USED IN) INVESTING ACTIVITIES		(6,992,672)	(19,584,047)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issues (net of issue expenses)		(3,683)	31,361,947
NET CASH FROM/ (USED IN) FINANCING ACTIVITIES		(3,683)	31,361,947
NET (DECREASE)/INCREASE IN CASH HELD			
Net foreign exchange differences		(5,733,180)	12,032,256
Cash and cash equivalents at beginning of year		(62,244)	(1,053,127)
CASH AND CASH EQUIVALENTS AT END OF YEAR	14	16,828,910	5,849,781
		11,033,486	16,828,910

The above consolidated statement of Cashflows should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012**

CONSOLIDATED ENTITY

ATTRIBUTABLE TO MEMBERS OF THE GROUP	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
Profit/ (loss) for year	-	-	-	(14,387,732)	(14,387,732)
<u>Other comprehensive income</u>					
Foreign currency translation differences	-	-	852,370	-	852,370
Total other comprehensive income			852,370		852,370
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	-	-	852,370	(14,387,732)	(13,535,362)
Securities issued	33,348,806	-	-	-	33,348,806
Equity raising costs	(1,986,859)	-	-	-	(1,986,859)
Share based payments	-	584,694	-	-	584,694
At 30 June 2011	59,795,617	4,947,741	941,846	(24,939,890)	40,745,314
Profit/ (loss) for year	-	-	-	(1,991,298)	(1,991,298)
<u>Other comprehensive income</u>					
Foreign currency translation differences	-	-	(530,692)	-	(530,692)
Total other comprehensive income			(530,692)		(530,692)
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR	-	-	(530,692)	(1,991,298)	(2,521,990)
Securities issued	-	-	-	-	-
Equity raising costs	(3,683)	-	-	-	(3,683)
Share based payments	-	460,816	-	-	460,816
At 30 June 2012	59,791,934	5,408,557	411,154	(26,931,188)	38,680,457

The above consolidated statement of Changes in Equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

The following is a summary of the significant accounting policies adopted by Entek Energy Limited A.C.N. 108 403 425 ("Parent Entity" or "Company") and by the Parent Entity and its controlled entities ("Consolidated Entity" or "Group") in the preparation of these financial statements. The financial report was approved by the Board of Directors on 26 September 2012.

Basis of Preparation of Accounts

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) and the Corporations Act 2001. The consolidated financial report of the Group also complies with the International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

Separate financial statements for Entek Energy Limited as an individual entity are no longer presented as the consequence of a change to the Corporations Act 2001, however, required financial information for Entek Energy Limited as an individual entity is included in Note 29.

The financial report has been prepared on an accruals basis and is based on a historical cost basis, except for available-for-sale financial assets that have been measured at fair value. The presentation currency used in this financial report is Australian Dollars.

New Accounting Standards for Application in Future Periods

The following new standards and amendments to standards are mandatory for the financial year beginning 1 July 2011.

- Amendments to AASB 7 'Financial Instruments' Disclosure' - The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held.
- Amendments to AASB 101 'Presentation of Financial Statements' - The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
- AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project' - AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards.
- AASB 124 'Related Party Disclosures' (revised December 2009) - AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities.
- AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement' - Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119.
- AASB 2009-12 'Amendments to Australian Accounting Standards' - The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009).
- AASB 2010-5 'Amendments to Australian Accounting Standards' - The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations.
- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets' - The application of AASB 2010-6 makes amendments to AASB 7 'Financial Instruments – Disclosures' to introduce additional disclosure requirements for transactions involving transfer of financial assets.

The adoption of these standards did not have any impact in the current period or any prior period and is unlikely to affect future periods.

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

At the date of the authorisation of the financial statements, the standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 200911 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 19 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013
Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20'.	1 January 2013	30 June 2014

The Company has decided not to early adopt any of the new and amended pronouncements. Of the above new and amended Standards and Interpretations the Company's assessment of those new and amended pronouncements that are relevant to the Company but applicable in future reporting periods is set out below:

- AASB 9: Financial Instruments (December 2010) and AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applicable for annual reporting periods commencing on or after 1 January 2013).

These Standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument
- requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and
- requiring an entity that chooses to measure a financial liability at fair value to present the portion of the

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

The Company has not yet been able to reasonably estimate the impact of these pronouncements on its financial statements.

- AASB 10: Consolidated Financial Statements, AASB 11: Joint Arrangements, AASB 12: Disclosure of Interests in Other Entities, AASB 127: Separate Financial Statements (August 2011), AASB 128: Investments in Associates and Joint Ventures (August 2011) and AASB 2011-7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 10 replaces parts of AASB 127: Consolidated and Separate Financial Statements (March 2008, as amended) and Interpretation 112: Consolidation - Special Purpose Entities. AASB 10 provides a revised definition of control and additional application guidance so that a single control model will apply to all investees. The Company has not yet been able to reasonably estimate the impact of this Standard on its financial statements.

AASB 11 replaces AASB 131: Interests in Joint Ventures (July 2004, as amended). AASB 11 requires joint arrangements to be classified as either "joint operations" (whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Joint ventures are required to adopt the equity method of accounting (proportionate consolidation is no longer allowed).

AASB 12 contains the disclosure requirements applicable to entities that hold an interest in a subsidiary, joint venture, joint operation or associate. AASB 12 also introduces the concept of a "structured entity", replacing the "special purpose entity" concept currently used in Interpretation 112, and requires specific disclosures in respect of any investments in unconsolidated structured entities. This Standard will only affect disclosures and is not expected to significantly impact the Company.

To facilitate the application of AASBs 10, 11 and 12, revised versions of AASB 127 and AASB 128 have also been issued. These Standards are not expected to significantly impact the Company.

- AASB 13: Fair Value Measurement and AASB 2011-8: Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (applicable for annual reporting periods commencing on or after 1 January 2013).

AASB 13 defines fair value, sets out in a single Standard a framework for measuring fair value, and requires disclosures about fair value measurements.

AASB 13 requires:

- inputs to all fair value measurements to be categorised in accordance with a fair value hierarchy; and
- enhanced disclosures regarding all assets and liabilities (including, but not limited to, financial assets and financial liabilities) measured at fair value.

These Standards are not expected to significantly impact the Company.

- AASB 2011-9: Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049] (applicable for annual reporting periods commencing on or after 1 July 2012).

The main change arising from this Standard is the requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

This Standard affects presentation only and is not expected to significantly impact the Company.

AASB 119 (September 2011) also includes changes to the accounting for termination benefits that require an entity to recognise an obligation for such benefits at the earlier of:

- (i) for an offer that may be withdrawn – when the employee accepts;
- (ii) for an offer that cannot be withdrawn – when the offer is communicated to affected employees; and
- (iii) where the termination is associated with a restructuring of activities under AASB 137: Provisions, Contingent Liabilities and Contingent Assets, and if earlier than the first two conditions – when the related restructuring costs are recognised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The Company has not yet been able to reasonably estimate the impact of these changes to AASB 9.

Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies adopted by the Company in the preparation of these financial statements. The Company is a listed public company limited by shares, incorporated and domiciled in Australia.

a) Basis of consolidation

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

b) Foreign currency translation

The presentation currency of the Company and its Australian subsidiaries is Australian dollars. The functional currency of the Company is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences in the consolidated financial report are taken to the Statement of Comprehensive Income statement. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in the Statement of Comprehensive Income. Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The functional currency of overseas subsidiaries is United States dollars. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the Company at the rate of exchange ruling at the reporting date and the Statement of Comprehensive Income are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Statement of Comprehensive Income.

c) Taxes

Income Tax

Deferred income tax is provided on all temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Income taxes relating to items recognised directly in equity are recognised in equity and not in the Statement of Comprehensive Income.

d) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave. Employee benefits, expenses and revenues arising in respect of wages and salaries; non monetary benefits; annual leave; long service leave and other leave and other employee entitlements are charged against profits on a net basis.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in any superannuation fund's obligation to provide benefits to employees on retirement.

e) Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts and investments in money market instruments with less than 14 days to maturity.

f) Revenue recognition

Revenue from services rendered is recognised upon the delivery of goods or services to customers. Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except: where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from the investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

h) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease). An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the financial statements unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase/decrease. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

i) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership. The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis. Contingent rentals are recognised as an expense in the financial year in which they are incurred.

j) Issued capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings – over 20 years

Plant and equipment – over 2 to 15 years

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any indication of impairment exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of property, plant and equipment is written off upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on writing off of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

l) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

m) Trade and other payables

Trade payables and other payables are carried at amortised cost which represents future liabilities for goods and services received, whether or not billed to the Company.

n) Investments

Investments and other financial assets

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

Available-for-sale investments

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Impairment of financial assets

Impairment of available-for-sale investments

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

Derecognition of financial assets

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

o) Inventories

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

p) Exploration and Development Expenditure

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

q) Share-based payment transactions

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'). There is currently an Employee Share Option Plan in place to provide these benefits, which provides benefits to directors and executives. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by using the Black & Scholes method. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'). The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition. Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

r) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the Parent Entity, adjusted for: costs of servicing equity ; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

s) Interests in Joint Ventures

The Consolidated Entity's share of the assets, liabilities, revenue and expenses of joint venture operations are included in the appropriate items of the consolidated financial statements. The Consolidated Entity's interests in joint venture entities are brought to account using the proportionate method of accounting in the consolidated financial statements. The Parent Entity's interests in joint venture entities are brought to account using the cost method.

t) Comparatives

Comparatives are restated where necessary to ensure disclosure is consistent with the current period.

u) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Exploration and evaluation assets

The Group's accounting policy for exploration and development expenditure is set out in Note 1(p). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, the assessment of whether economic quantities of reserves are found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under other policy, it is concluded that the Company is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the Statement of Comprehensive Income.

Significant accounting estimates and assumptions

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

Recovery of deferred assets

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

Share-based payment transactions

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

Consolidated Entity

2012 2011

NOTE 2. REVENUE

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

REVENUE

Oil and Gas sales	2,933,700	2,662,947
Interest received from other persons	284,078	61,670
	3,217,778	2,724,617

OTHER INCOME

Profit on sale of assets	3,758,326	-
Rental Income	179,321	137,627
	3,937,647	137,627

CHARGING AS EXPENSES

Capitalised exploration written off	(3,499,945)	(6,580,036)
Consultancy fees	(51,763)	(90,187)
Remuneration of officers and employees	(938,250)	(1,377,399)
Amortisation/Impairment of capitalised expenditure	(5,070,509)	(1,723,191)
Depreciation	(13,891)	(34,675)
Foreign Currency Exchange Differences	2,144,261	(5,679,628)
Cost of share based payments	(460,816)	(584,694)
Other operating expenses	(1,255,810)	(1,180,166)
	(9,146,723)	(17,249,976)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Entity
2012 2011

NOTE 3. INCOME TAX

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

Prima facie income tax benefit on operating profit/ (loss) calculated at 30%	(597,389)	(4,316,320)
Cost of share based payments	138,245	175,408
Other	7,787	11,459
	(451,357)	(4,129,453)
Movement in unrecognised temporary differences	(350,311)	(2,903,279)
Income tax benefit not brought to account as realisation of the benefit is not virtually certain	801,668	7,032,732
INCOME TAX EXPENSE FROM ORDINARY ACTIVITIES	-	-

UNRECOGNISED DEFERRED TAX BALANCES

DEFERRED TAX ASSETS

Tax losses	10,961,411	9,682,199
Tax losses on capital account	519,791	519,791
Prepayments	217	140
Provisions and accruals	54,223	29,371
Capital raising costs	452,861	627,517
TOTAL DEFERRED TAX ASSETS	11,988,503	10,859,018

DEFERRED TAX LIABILITIES

Capitalised tenement acquisition costs	(4,382,488)	(3,972,148)
TOTAL DEFERRED TAX LIABILITIES	(4,382,488)	(3,972,148)

NET DEFERRED TAX ASSET NOT BROUGHT TO ACCOUNT

	7,606,015	6,886,870
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The net future income tax benefit not brought to account includes provisions and capital raising costs that will realise a benefit to the Company only if the Company derives future assessable income of a nature and amount sufficient to enable the benefits to be realised, the Company continues to comply with the conditions for deductibility imposed by law, and no changes in tax legislation adversely affect the ability of the Company to realise the benefits.

NOTE 4. ACCUMULATED LOSSES

Accumulated losses at the beginning of the financial year	(24,939,890)	(10,552,158)
Net profit/ (loss) for the financial year	(1,991,298)	(14,387,732)
ACCUMULATED LOSSES AT THE END OF THE FINANCIAL YEAR	(26,931,188)	(24,939,890)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Entity
2012 2011

NOTE 5. EARNINGS PER SHARE

Basic earnings per share (cents per share)	(0.39)	(4.70)
Diluted earnings per share (cents per share)	(0.39)	(4.70)
Profit/ (loss) used in the calculation of basic EPS	(1,991,298)	(14,387,732)
Profit/ (loss) used in the calculation of diluted EPS	(1,991,298)	(14,387,732)
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	510,657,387	306,261,406
Weighted average number of ordinary shares outstanding during the year used in the calculation of diluted earnings per share	510,657,387	306,261,406

During the year ended 30 June 2012, 1,000,000 options to subscribe for ordinary shares were issued, no options were exercised and 1,500,000 options expired unexercised, leaving 22,250,000 options outstanding at 30 June 2012 (note 13).

During the year ended 30 June 2011, 13,250,000 options to subscribe for ordinary shares were issued, no options were exercised and 3,250,000 options expired unexercised, leaving 22,750,000 options outstanding at 30 June 2011 (note 13).

NOTE 6. TRADE & OTHER RECEIVABLES (CURRENT)

Trade debtors	1,556,400	1,605,419
Other debtors and prepayments	196,527	284,272
	1,752,927	1,889,691

Other debtors are non-interest bearing and generally on 30 to 60 day terms. The other classes within trade and other receivables do not contain impaired assets and are not past due.

NOTE 7. TRADE & OTHER RECEIVABLES (NON CURRENT)

Other debtors and prepayments	250,501	112,889
	250,501	112,889

NOTE 8. PLANT AND EQUIPMENT

PLANT AND EQUIPMENT		
At cost	190,393	142,826
Accumulated depreciation	(61,518)	(55,077)
TOTAL PLANT AND EQUIPMENT	128,875	87,749

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

PLANT AND EQUIPMENT		
At the beginning of the financial year	142,826	55,714
Additions	47,567	87,112
Depreciation expense	(13,891)	(34,675)
Foreign exchange adjustment	(47,627)	(20,402)
TOTAL PLANT AND EQUIPMENT	128,875	87,749

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Entity	
	2012	2011
NOTE 9. EXPLORATION AND PRODUCTION EXPENDITURE		
NOTE 9(a) Capitalised Exploration Expenditure		
Cost of Asset:		
Opening Balance	22,422,314	17,617,098
Additions	12,384,192	15,020,549
Total	34,806,506	32,637,647
Less:		
Asset sales/write downs	(7,572,080)	(6,580,036)
Foreign Exchange Adjustment	1,205,714	(3,635,297)
Total	28,440,140	22,422,314
Amortisation Costs:		
Opening Balance	(2,171,536)	(1,084,608)
Disposal	1,072,483	-
Change for the Year	(3,098,369)	(1,310,738)
Foreign Exchange Adjustment	212,737	223,810
Accumulated Amortisation	(3,984,685)	(2,171,536)
TOTAL EXPLORATION	24,455,455	20,250,778
Note 9(b) Production Plant and Equipment		
Cost of Asset:		
Opening Balance	5,526,420	1,829,778
Additions	-	4,074,218
Total	5,526,420	5,903,996
Less:		
Asset sales	(3,589,610)	-
Foreign Exchange Adjustment	297,172	(377,576)
Total	2,233,982	5,526,420
Amortisation Costs:		
Opening Balance	(878,880)	(739,100)
Change for the Year	(489,918)	(292,294)
Disposal	845,037	-
Foreign Exchange Adjustment	(4,139)	152,514
Accumulated Amortisation	(527,900)	(878,880)
TOTAL PRODUCTION PLANT AND EQUIPMENT	1,706,082	4,647,540
TOTAL INTEREST IN NORTH AMERICAN OIL AND GAS PROJECTS	26,161,537	24,898,318
NOTE 10. TRADE AND OTHER PAYABLES (CURRENT)		
Trade creditors and accrued expenses	973,235	2,453,500

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Entity	
	2012	2011
NOTE 11(a). PROVISIONS (CURRENT)		
Employee entitlements	54,897	35,161
	<u>54,897</u>	<u>35,161</u>
NOTE 11(b). PROVISIONS (NON-CURRENT)		
Provision for rehabilitation	757,413	583,582
	<u>757,413</u>	<u>583,582</u>
NOTE 12. ISSUED CAPITAL		
510,657,387 (2011: 510,657,387) fully paid ordinary shares	<u>59,791,934</u>	<u>59,795,617</u>
	<u>59,791,934</u>	<u>59,795,617</u>
MOVEMENTS IN ORDINARY SHARES		
At the beginning of the financial year	59,795,617	28,433,666
33,500,000 shares issued on 28 September 2010	-	4,355,000
29,000,000 shares issued on 1 November 2010	-	3,770,000
40 shares issued on 6 April 2011	-	4
43,153,830 shares issued on 14 April 2011	-	5,178,460
77,679,504 shares issued on 20 May 2011	-	9,321,540
102,131,478 shares issued on 20 June 2011	-	10,723,806
	-	-
Share issue expenses	<u>(3,683)</u>	<u>(1,986,859)</u>
AT THE END OF THE FINANCIAL YEAR	<u>59,791,934</u>	<u>59,795,617</u>

The Company issued no shares during the 2012 financial year.

Terms and conditions of contributed equity

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from sale of all surplus assets in proportion to the number of, and amounts paid up, of shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at any meeting of the Company.

CAPITAL MANAGEMENT

Management controls the capital of the Group in order to maintain an appropriate debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues. There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Entity	
	2012	2011
	\$	\$
NOTE 13. RESERVES		
Option premium reserve	5,408,557	4,947,741
Currency translation reserve	411,154	941,846
	5,819,711	5,889,587

NOTE 13 (A). OPTION PREMIUM RESERVE

MOVEMENTS IN OPTION PREMIUM RESERVE

At the beginning of the financial year	4,947,741	4,363,047
Share based payments expense	460,816	584,694
AT THE END OF THE FINANCIAL YEAR	5,408,557	4,947,741

NOTE 13 (B). CURRENCY TRANSLATION RESERVE

MOVEMENTS IN CURRENCY TRANSLATION RESERVE

At the beginning of the financial year	941,846	89,476
Consolidation adjustment for the year	(530,692)	852,370
AT THE END OF THE FINANCIAL YEAR	411,154	941,846

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

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

At 30 June 2012 there were 22,250,000 unissued ordinary shares for which options were outstanding. These comprise:

Status	Number	Exercise Price	Expiry Date
		\$	
Non-Listed	750,000	0.20	31/12/2012
Non-Listed	1,500,000	0.50	31/01/2013
Non-Listed	1,250,000	0.25	31/10/2013
Non-Listed	1,250,000	0.35	31/10/2013
Non-Listed	2,500,000	0.50	31/10/2013
Non-Listed	750,000	0.25	31/12/2013
Non-Listed	1,500,000	0.70	31/01/2014
Non-Listed	5,500,000	0.21	24/05/2014
Non-Listed	5,500,000	0.28	24/05/2014
Non-Listed	500,000	0.25	30/06/2014
Non-Listed	500,000	0.30	30/06/2014
Non-Listed	750,000	0.30	31/12/2014
	22,250,000		

No options were exercised in the current period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

At 30 June 2011

Status	Number	Exercise Price	Expiry Date
		\$	
		\$	
Non-Listed	1,500,000	0.35	31/01/2012
Non-Listed	750,000	0.20	31/12/2012
Non-Listed	1,500,000	0.50	31/01/2013
Non-Listed	1,250,000	0.25	31/10/2013
Non-Listed	1,250,000	0.35	31/10/2013
Non-Listed	2,500,000	0.50	31/10/2013
Non-Listed	750,000	0.25	31/12/2013
Non-Listed	1,500,000	0.70	31/01/2014
Non-Listed	5,500,000	0.21	24/05/2014
Non-Listed	5,500,000	0.28	24/05/2014
Non-Listed	750,000	0.30	31/12/2014
	22,750,000		

On 1 July 2011, the Company issued the following Employee Options:

- 500,000 free options exercisable immediately at 25 cents each and expiring on 30 June 2014.
- 500,000 free options which vest and become exercisable on 1 October 2012 at 30 cents each and expiring on 30 June 2014.

The issue of these options was in accordance with the Company's Employee Share Option Plan, which was approved at the Annual General meeting of Shareholders held on 25 November 2010.

The executive's 25 cent options were valued on the date of issue at 7.76 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.16, a risk free interest rate of 4.84% and a volatility factor of 87.1%.

The executive's 30 cent options were valued on the date of issue at 7.09 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.16, a risk free interest rate of 4.84% and a volatility factor of 87.1%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Consolidated Entity
2012 **2011**
\$ **\$**

NOTE 14. CASH FLOW INFORMATION

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

Profit/ (loss) after tax	(1,991,298)	(14,387,732)
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Non-cash flows in profit/(loss)

Depreciation of plant and equipment	13,891	15,323
Unrealised foreign exchange differences	(2,144,261)	5,580,548
Exploration expenditure written off	5,779,965	7,008,510
Amortisation of capitalised expenditure	5,070,509	1,723,191
Profit on sale of mineral tenements	(3,758,326)	-
Cost of share based payment	460,816	584,694

Changes in assets and liabilities

Decrease/ (increase) in trade and other receivables	(1,244,469)	(1,317,721)
Increase/ (decrease) in other creditors and accruals	(1,117,216)	567,494
Increase/ (decrease) in provisions	193,564	480,049

NET CASH FROM/ (USED IN) OPERATING ACTIVITIES

	1,263,175	254,356
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RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year is shown in the accounts as:

Cash	11,033,486	16,828,910
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CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR

	11,033,486	16,828,910
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As per the policy of the Company for cash flow purposes, cash and cash equivalents are made up of all cash on hand and cash at bank

NON-CASH FINANCING AND INVESTING ACTIVITIES

During the year ended 30 June 2012, the company incurred share based payments of \$460,816 (2011 - \$584,694).

There are no financing facilities in place for the Company.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Entity	
	2012	2011
	\$	\$
NOTE 15. AUDITOR'S REMUNERATION		
Remuneration of the auditor of the Company for:		
Auditing or reviewing the financial report	55,989	45,048
Other services	-	1,275
Remuneration of other auditors of subsidiaries for:		
Auditing or reviewing the financial report of subsidiaries	21,000	13,137
	76,989	59,460

NOTE 16. KEY MANAGEMENT PERSONNEL

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2011 or Appointment	Number of Ordinary Shares		30 June 2012 or Resignation
		Issued as Remuneration	Net Change Other	
Trent Spry	593,750	-	-	593,750
Graham Riley	8,849,838	-	(500,000)	8,349,838
Andrew Padman	1,000,000	-	-	1,000,000
Alexander Forcke	2,500,000	-	500,000	3,000,000
Andrew Gastevich	62,500	-	-	62,500
David Christian	-	-	-	-
Timothy Hopkins	-	-	-	-
	13,006,088	-	-	13,006,088

SHARES HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2010 or Appointment	Number of Ordinary Shares		30 June 2011 or Resignation
		Issued as Remuneration	Net Change Other	
Trent Spry	475,000	-	118,750	593,750
Graham Riley	-	-	8,849,838	8,849,838
Andrew Padman	590,000	-	410,000	1,000,000
Alexander Forcke	-	-	2,500,000	2,500,000
Russell Brimage	6,370,488	-	-	6,370,488
Craig McGown	400,000	-	150,000	550,000
David Craig	150,000	-	-	150,000
Andrew Gastevich	50,000	-	12,500	62,500
David Christian	-	-	-	-
Michael Verm	20,000	-	-	20,000
Timothy Hopkins	-	-	-	-
	8,055,488	-	12,041,088	20,096,576

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

OPTIONS HELD BY KEY MANAGEMENT PERSONNEL

	1 July 2011 or Appointment	Number of Options		30 June 2012 or Resignation
		Granted as Remuneration	Net Change Other	
Trent Spry	7,000,000	-	-	7,000,000
Graham Riley	2,000,000	-	-	2,000,000
Andrew Padman	2,000,000	-	-	2,000,000
Alexander Forcke	2,000,000	-	-	2,000,000
Andrew Gastevich	3,000,000	-	-	3,000,000
David Christian	2,250,000	-	-	2,250,000
Timothy Hopkins	2,250,000	-	-	2,250,000
	20,500,000	-	-	20,500,000

At 30 June 2012 not all options granted to directors and key management are fully vested.

	1 July 2010 or Appointment	Number of Options		30 June 2011 or Resignation
		Granted as Remuneration	Net Change Other	
Trent Spry	4,000,000	3,000,000	-	7,000,000
Graham Riley	-	2,000,000	-	2,000,000
Andrew Padman	1,000,000	2,000,000	(1,000,000)	2,000,000
Alexander Forcke	-	2,000,000	-	2,000,000
Russell Brimage	-	-	-	-
Craig McGown	1,250,000	-	(1,250,000)	-
David Craig	1,000,000	-	(1,000,000)	-
Andrew Gastevich	1,000,000	2,000,000	-	3,000,000
David Christian	2,250,000	-	-	2,250,000
Michael Verm	2,250,000	-	-	2,250,000
Timothy Hopkins	-	2,250,000	-	2,250,000
	12,750,000	13,250,000	(3,250,000)	22,750,000

At 30 June 2011 all options granted to directors are vested while options granted to key management are not yet fully vested.

NOTE 17. SHARE BASED PAYMENTS

During the year ended 30 June 2012 the following share based payments were issued by the Company and by the Consolidated Entity.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	22,750,000	\$0.333
Granted	1,000,000	\$0.275
Forfeited	-	-
Exercised	-	-
Expired	(1,500,000)	\$0.350
OUTSTANDING AND EXERCISABLE AT YEAR END	22,250,000	\$0.330

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

On 1 July 2011, the Company issued the following Employee Options:

- 500,000 free options exercisable immediately at 25 cents each and expiring on 30 June 2014.
- 500,000 free options which vest and become exercisable on 1 October 2012 at 30 cents each and expiring on 30 June 2014.

The issue of these options was in accordance with the Company's Employee Share Option Plan, which was approved at the Annual General meeting of Shareholders held on 25 November 2010.

The executive's 25 cent options were valued on the date of issue at 7.76 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.16, a risk free interest rate of 4.84% and a volatility factor of 87.1%.

The executive's 30 cent options were valued on the date of issue at 7.09 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.16, a risk free interest rate of 4.84% and a volatility factor of 87.1%.

During the year ended 30 June 2011 the following share based payments were issued by the Company and by the Consolidated Entity.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of year	12,750,000	\$0.416
Granted	13,250,000	\$0.246
Forfeited	-	-
Exercised	-	-
Expired	(3,250,000)	\$0.300
OUTSTANDING AND EXERCISABLE AT YEAR END	22,750,000	\$0.333

On 25 May 2011, the Company issued the following options to Directors:

- 2,250,000 free options exercisable immediately at 21 cents each and expiring on 24 May 2014.
- 2,250,000 free options exercisable immediately at 28 cents each and expiring on 24 May 2014.
- 2,250,000 free options which vest and become exercisable on 24 May 2012 at 21 cents each and expiring on 24 May 2014.
- 2,250,000 free options which vest and become exercisable on 24 May 2012 at 28 cents each and expiring on 24 May 2014.

The issue of these options was approved at a General Meeting of shareholders held on 18 May 2011.

The directors' 21 cent options were valued on the date of issue at 6.17 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

The directors' 28 cent options were valued on the date of issue at 5.32 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

On 26 May 2011, the Company issued the following Employee Options:

- 500,000 free options exercisable immediately at 21 cents each and expiring on 24 May 2014.
- 500,000 free options exercisable immediately at 28 cents each and expiring on 24 May 2014.
- 500,000 free options which vest and become exercisable on 24 May 2012 at 21 cents each and expiring on 24 May 2014.
- 500,000 free options which vest and become exercisable on 24 May 2012 at 28 cents each and expiring on 24 May 2014.

The issue of these options was in accordance with the Company's Employee Share Option Plan, which was approved at the Annual General Meeting of shareholders held on 25 November 2010.

The executive's 21 cent options were valued on the date of issue at 6.17 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

The executive's 28 cent options were valued on the date of issue at 5.32 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

Also on 26 May 2011, the Company issued the following Employee Options:

- 750,000 free options exercisable immediately at 20 cents each and expiring on 31 December 2012.
- 750,000 free options which vest and become exercisable on 1 January 2012 at 25 cents each and expiring on 31 December 2013.
- 750,000 free options which vest and become exercisable on 1 January 2013 at 30 cents each and expiring on 31 December 2014.

The issue of these options was in accordance with the Company's Employee Share Option Plan, which was approved at the Annual General Meeting of shareholders held on 25 November 2010.

The executive's 20 cent options were valued on the date of issue at 4.16 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.84% and a volatility factor of 87.3%.

The executive's 25 cent options were valued on the date of issue at 5.09 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

The executive's 30 cent options were valued on the date of issue at 5.90 cents each using the Black & Scholes method and based on the then price of the ordinary shares of \$0.13, a risk free interest rate of 4.9% and a volatility factor of 87.3%.

NOTE 18. SEGMENT INFORMATION

PRIMARY REPORTING BUSINESS SEGMENTS

During the year ended 30 June 2012 and also during the year ended 30 June 2011, 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) \$	Segment Assets \$	Segment Liabilities \$
YEAR TO 30 JUNE 2012						
Australasia	3,526,845	(3,021,692)	505,153	60,508	2,583,630	549,707
North America	6,650,272	-	6,650,272	(2,051,806)	37,882,372	1,235,838
TOTAL	10,177,117	(3,021,692)	7,155,425	(1,991,298)	40,466,002	1,785,545

	External Revenue \$	Inter-Segment Revenue \$	Total Revenue \$	Segment Profit/(Loss) \$	Segment Assets \$	Segment Liabilities \$
YEAR TO 30 JUNE 2011						
Australasia	2,578,823	(2,216,917)	361,906	(8,648,742)	13,237,979	418,889
North America	2,500,338	-	2,500,338	(5,738,990)	30,579,578	2,653,354
TOTAL	5,079,161	(2,216,917)	2,862,244	(14,387,732)	43,817,557	3,072,243

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 19. CONTROLLED ENTITIES

	% Owned		Book value of shares held		Contribution to consolidated profit/ (loss)	
	2012	2011	2012	2011	2012	2011
			\$	\$	\$	\$
<i>Parent Entity</i>						
Entek Energy Limited						
<i>Entities controlled by Entek Energy Limited</i>						
Entek USA Inc	100%	100%	-	-	(2,051,806)	(5,738,990)
Cities Energy Pty Ltd	0%	100%	-	-	-	-
<i>Entities controlled by Entek USA Inc</i>						
Entek USA General LLC	100%	100%	-	-	-	-
Entek USA Limited LLC	100%	100%	-	-	-	-
Entek Energy USA LLC	100%	100%	-	-	-	-
Entek GRB LLC	100%	100%	-	-	-	-
<i>Interests in controlled Entities held by Entek USA General LLC</i>						
Entek USA LP	1%	1%	-	-	-	-
<i>Entities controlled by Entek USA Limited LLC</i>						
Entek USA LP	99%	99%	-	-	-	-
			-	-	(2,051,806)	(5,738,990)
			-	-	(2,051,806)	(5,738,990)

Entek USA Inc, Entek USA Limited LLC, Entek USA General LLC, Entek GRB LLC, and Entek Energy USA LLC are registered in the State of Delaware in the United States of America. Entek USA LP is registered in the State of Texas in the United States of America.

Cities Energy Pty Ltd was voluntarily deregistered at the Australian Securities & Investments Commission on 11 August 2011.

NOTE 20. COMMITMENTS

Superannuation

The Company makes contributions to complying superannuation funds based on the requirements of the Australian Superannuation Guarantee Charge or such higher amount as has been agreed with individual employees. There is a legally enforceable obligation on the Company to contribute to the superannuation plan for those contributions that have been agreed with individual employees as part of their conditions of employment.

Expenditure

The Company holds a 28.15% interest in the joint venture that operates ATP269P in Queensland, Australia. To meet its expenditure commitments, in the year commencing 1 January 2012, the joint venture is required to conduct geological and geophysical work to the value of AUD\$2.422m. As identified in Note 21(b), ATP269P is currently subject to a sales contract.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Contractual

Consolidated Entity	
2012	2011
\$	\$

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

Within one year	928,850	911,654
After one year but not more than five years	3,233,983	3,069,450
	4,162,833	3,981,104

Environmental

The company is a 25% interest holder in the joint venture that operates Padre North 975 in the Gulf of Mexico. The estimated cost of abandonment is US\$300,000 and this is estimated to occur in two to four years time. The Company has raised a provision of US\$75,000 (AUD \$73,594) for refurbishment of the well site. The company is also a 38% interest holder in the joint venture that operates Galveston A133 in the Gulf of Mexico. The estimated cost of abandonment is US\$1,500,000 and this is estimated to occur in not less than five years time. The Company has raised a provision of US\$496,879 (AUD \$487,566) for refurbishment of the well site. The company is fully expected to recover these costs upon sale of the production facilities.

During the year the Company sold its 5% interest in the joint venture that operates High Island 24L in the Gulf of Mexico. There are two operating wells on the site. The estimated cost of abandonment is US\$1m per well. Upon the sale of the Company's share of this interest, all refurbishment obligations were transferred to the purchaser.

On 1 May 2010, the Company commenced as operator in the Green River Basin region of the United States of America. This basin encompasses parts of the States of Colorado and Wyoming. The Company complies to its environmental obligations in this area, and there have been no significant known breaches of the Company's license or permit conditions. In addition, no Federal or State Government agency has notified the Company of any environmental breaches since commencement as operator. The Company has however provided the amount of US\$200,000 (AUD \$196,252) in the event any such breach should occur.

Capital

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

Consolidated Entity	
2012	2011
\$	\$

CAPITAL EXPENDITURE COMMITMENTS PAYABLE:

Rental and Lease Payments

Not later than 1 year – United States offices	97,556	98,781
Not later than 1 year	260,381	247,982
Later than 1 year but not later than 2 years	68,379	361,564
Later than 2 years but not later than 5 years	-	69,294
	426,316	777,621

Gulf of Mexico Leases Expenditure Payable

Not later than 1 year	157,120	266,501
Later than 1 year but not later than 2 years	157,120	180,477
Later than 2 years but not later than 5 years		180,477
	314,240	627,455

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Consolidated Entity	
	2012	2011
	\$	\$
<i>Green River Basin Leases Expenditure Payable</i>		
Not later than 1 year	99,631	357,263
Later than 1 year but not later than 2 years	219,604	99,730
Later than 2 years but not later than 5 years	389,272	389,602
	708,507	846,655
TOTAL COMMITMENTS	1,449,063	2,251,731

NOTE 21. DISCONTINUED OPERATIONS

(a)

On 8 December 2011 the Company announced the sale of the High Island 24L gas producing asset (effective date of sale 1 April 2011). The results of the asset are presented below:

	Consolidated Entity	
	2012	2011
	\$	\$
Revenue	335,180	1,314,596
Expenses	(149,748)	(621,675)
Gross Profit	185,432	692,921
PROFIT/LOSS FOR THE PERIOD FROM A DISCONTINUED OPERATION	185,432	692,921
Consideration Received	1,265,354	—
Carrying Value of net assets disposed	(774,699)	—
PROFIT ON DISPOSAL	490,655	—

On 6 March 2012, the Company announced the sale of the VR 341/342 blocks in the Gulf of Mexico for US\$7.5million in cash as well as a significant retained overriding royalty interest. The results of the asset are presented below:

	Consolidated Entity	
	2012	2011
	\$	\$
Revenue	—	—
Expenses	(37,002)	—
Gross Profit/ (Loss)	(37,002)	—
PROFIT/ (LOSS) FOR THE PERIOD FROM A DISCONTINUED OPERATION	(37,002)	—
Consideration Received	7,238,334	—
Carrying Value of net assets disposed	(3,970,663)	—
PROFIT ON DISPOSAL	3,267,671	—
TOTAL PROFIT ON DISPOSAL (REFER TO NOTE 2)	3,758,326	—

(b)

At 30 June 2012 the Company agreed to sell ATP269P to a third party subject to completion of documentation. Closing is expected next quarter with \$1,702,841 to be received representing sale proceeds of \$564,165, and adjustments to the closing date of \$1,138,676. At the 30 June the Company had recognised \$1,138,676 due to closing adjustments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 22. CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2012.

NOTE 23. CONTINGENT ASSETS

Other than the future income tax benefit (not brought to account) as disclosed in Note 3, no other contingent assets exist as at 30 June 2012.

NOTE 24. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries, which arise directly from its operations. The Group's policy is that no trading in financial instruments shall be undertaken. The main purpose of non-derivative financial instruments is to finance group operations. Derivatives are not used by the Group and the Group does not speculate in the trading of derivative instruments.

TREASURY RISK MANAGEMENT

The Board considers the Group's financial risk exposure and treasury management strategies in the context of the Group's operations. The Board's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk. The Board reviews each of these risks on an on-going basis.

INTEREST RATE RISK

The Group has no debt that requires the payment of interest.

FINANCIAL INSTRUMENTS	TERMS AND CONDITIONS AND INTEREST RATE RISK
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Bank Deposits	Bank deposits are either held at call, subject to notice of withdrawal or subject to maturity after a specified period of time. All cash held is subject to floating interest rate risk.
Receivables	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Accounts Payable	There are no specific terms and conditions that may affect the amount, timing and certainty of future cash flows as they are all managed on a case by case basis. These are non interest bearing and there is no exposure to interest rate risk.
Equity	Details of equity securities issued and outstanding are disclosed separately in these financial statements. These are non interest bearing and there is no exposure to interest rate risk.

FOREIGN CURRENCY RISK

The Group is exposed to fluctuations in foreign currencies arising from the sale and purchase of goods and services in currencies other than the Group's measurement currency. The Group is also exposed to fluctuations in foreign currencies arising from deposits with banks denominated in foreign currencies. The Group has reviewed this position and is of the view that it is not economic to hedge this exposure.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

LIQUIDITY RISK

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

CREDIT RISK

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements. There are no material amounts of collateral held as security at 30 June 2012. Credit risk is managed on a Group basis and reviewed by the Board. It arises from exposures to customers as well as through deposits with financial institutions. The Board monitors credit risk by actively assessing the quality and liquidity of counter parties, consequently only "A" rated banks are utilised for deposits and all potential customers are assessed for credit worthiness taking into account their size, market position and financial standing. The counterparties included in trade and other receivables at 30 June 2012 are not rated, however, given the amount and nature of these financial instruments, the Board is satisfied that they represent a low credit risk for the Group. There are no significant concentrations of credit risk within the Group.

PRICE RISK

The Group is exposed to commodity price risk through its joint venture interests. Oil prices have risen over the last 12 months while gas prices have remained relatively constant and the Group does not currently hedge the price it sells oil and gas at. The Group is conscious of the fluctuations in the commodity price and monitors such fluctuations with a view to take appropriate actions as and when foreseeable.

FINANCIAL INSTRUMENT COMPOSITION AND MATURITY ANALYSIS

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the Statement of Financial Position.

	Consolidated Entity	
	2012	2011
	\$	\$
TRADE AND SUNDRY PAYABLES ARE EXPECTED TO BE PAID AS FOLLOWS:		
Less than 6 months	973,235	2,453,500
6 months to 1 year	-	-
later than 1 year but not later than 5 years	-	-
over 5 years	-	-
	973,235	2,453,500
	973,235	2,453,500

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

FAIR VALUES

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

	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2012 \$	AGGREGATE NET FAIR VALUE 2012 \$	CARRYING AMOUNT IN THE FINANCIAL STATEMENTS 2011 \$	AGGREGATE NET FAIR VALUE 2011 \$
<i>Financial Assets</i>				
Cash assets	11,033,486	11,033,486	16,828,910	16,828,910
Receivables	2,003,428	2,003,428	2,002,580	2,002,580
Held for sale	1,138,676	1,138,676	-	-
<i>Financial Liabilities</i>				
Payables	973,235	973,235	2,453,500	2,453,500
Borrowings	-	-	-	-

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

Cash assets, borrowings and financial assets are carried at amounts approximating fair value because of their short term nature to maturity. Receivables and payables are carried at amounts approximating fair value.

Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.

SENSITIVITY ANALYSIS

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

INTEREST RATE SENSITIVITY ANALYSIS

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2012	2011
	\$	\$
CHANGE IN PROFIT/ (LOSS) DUE TO:		
Increase in interest rate by 2%	93,227	42,956
Decrease in interest rate by 2%	(93,227)	(42,956)
CHANGE IN EQUITY DUE TO:		
Increase in interest rate by 2%	93,277	42,956
Decrease in interest rate by 2%	(93,227)	(42,956)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Entity	
	2012	2011
	\$	\$
CHANGE IN PROFIT/ (LOSS) DUE TO:		
Improvement in AUD to USD by 5%	(2,643,726)	(2,227,009)
Decline in AUD to USD by 5%	2,643,726	2,227,009
CHANGE IN EQUITY DUE TO:		
Improvement in AUD to USD by 5%	(2,643,726)	(2,227,009)
Decline in AUD to USD by 5%	2,643,726	2,227,009

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE:

	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
CONSOLIDATED				
2012				
FINANCIAL ASSETS				
Financial assets at fair value through profit of loss:				
- derivative instruments	-	-	-	-
- investments - held-for-trading	-	-	-	-
Held-to-maturity investments				
- fixed interest securities	-	-	-	-
Available-for-sale financial assets:				
- listed investments	-	-	-	-
- unlisted investments	-	-	-	-
	-	-	-	-
<hr/>				
2011				
FINANCIAL ASSETS				
Financial assets at fair value through profit or loss:				
- derivative instruments	-	-	-	-
- investments - held-for-trading	-	-	-	-
Held-to-maturity investments				
- fixed interest securities	-	-	-	-
Available-for-sale financial assets				
- listed investments	-	-	-	-
- unlisted investments	-	-	-	-
	-	-	-	-
	-	-	-	-

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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

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

NOTE 25. RELATED PARTY TRANSACTIONS

There are no related party transactions other than those discussed in the Director's Remuneration Report with key management personnel.

NOTE 26. DIVIDENDS

No dividends have been paid or proposed during the year.

NOTE 27. WORKING INTERESTS

The Consolidated Entity had a 5% working interest in the exploration and development of High Island Block 24L, Texas State Waters Offshore. This interest was sold during the 2012 financial year.

The Consolidated Entity has a 28.15% working interest in the exploration and development of ATP269P in Queensland, Australia. This asset is held for sale at 30 June 2012, see Note 21(b)

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

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

The Consolidated Entity had a 50% working interest in the exploration and development of Vermillion Block 341, Federal Outer Continental Shelf. This interest was sold during the 2012 financial year.

The Consolidated Entity had a 50% working interest in the exploration and development of Vermillion Block 342, Federal Outer Continental Shelf. This interest was sold during the 2012 financial year.

The Consolidated Entity has a 55% working interest (earned through farm-in) in the exploration and development of the Battle Mountain, Slater Dome, Focus Ranch, Scorpion and Dolan Mesa Projects, based in the states of Colorado and Wyoming.

NOTE 28. EVENTS SUBSEQUENT TO BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in subsequent financial years.

NOTE 29. PARENT FIGURES DISCLOSURES

	30 JUNE 2012	30 JUNE 2011
	\$	\$
ASSETS		
Current Assets	2,572,651	13,245,012
Non-current assets	50,858,411	36,636,771
Total assets	53,431,062	49,881,783
LIABILITIES		
Current liabilities	574,712	564,766
Total liabilities	574,712	564,766

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	30 JUNE 2012	30 JUNE 2011
	\$	\$
NET ASSETS	<u>52,856,350</u>	<u>49,317,017</u>
EQUITY		
Issued capital	59,791,934	59,795,617
Retained earnings	(12,344,141)	(15,426,341)
RESERVES		
Option premium reserve	5,408,557	4,947,741
Total equity	<u>52,856,350</u>	<u>49,317,017</u>
Profit/ (Loss) for the year	<u>3,082,200</u>	<u>(6,431,825)</u>
Other comprehensive income		
Total comprehensive Income/ (Loss)	<u>3,082,200</u>	<u>(6,431,825)</u>
GUARANTEES ENTERED INTO BY THE PARENT ENTITY IN RELATION TO THE DEBTS OF ITS SUBSIDIARIES		
Guarantees provided	-	-
Contingent liabilities of the parent entity	<u>-</u>	<u>-</u>
COMMITMENT FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY		
Not longer than one year	-	-
Longer than one year and not longer than five years	-	-
Longer than five years	<u>-</u>	<u>-</u>

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

Report on the Financial Report

We have audited the accompanying financial report of Entek Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

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

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

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

Independence

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

Auditor's opinion

In our opinion:

- (a) the financial report of Entek Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 1.


Report on the Remuneration Report

We have audited the remuneration report included in pages 8 to 16 of the directors' report for the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Auditor's opinion

In our opinion the remuneration report of Entek Energy Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

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

Stantons International - Audit & Consulting Pty Ltd


Martin Michalik
Director

West Perth, Western Australia
26 September 2012

26 September 2012

Board of Directors
Entek Energy Limited
15 Rheola Street
West Perth WA 6005

Dear Directors

RE: ENTEK ENERGY LIMITED

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

As Audit Director for the audit of the financial statements of Entek Energy Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours faithfully

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



Martin Michalik
Director

West Perth, Western Australia
26 September 2012

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

ANALYSIS OF HOLDINGS OF LISTED SHARES AND OPTIONS IN THE COMPANY

	Ordinary Shares
1 — 1,000	337
1,001 — 5,000	580
5,001 — 10,000	619
10,001 — 100,000	1,952
100,001 — and over	575
Total number of holders	4,063
Holdings of less than a marketable parcel	782

ANALYSIS OF HOLDINGS OF UNLISTED SHARES AND OPTIONS IN THE COMPANY

	Options expiring 31 Dec 2012	Options expiring 31 Jan 2013	Options expiring 31 Oct 2013	Options expiring 31 Dec 2013	Options expiring 31 Jan 2014	Options expiring 24 May 2014	Options expiring 30 Jun 2014	Options expiring 31 Dec 2014
1 - 1,000	0	0	0	0	0	0	0	0
1,001 - 5,000	0	0	0	0	0	0	0	0
5,001 - 10,000	0	0	0	0	0	0	0	0
10,001 - 100,000	0	0	0	0	0	0	0	0
101,001 - and over	1	2	2	1	2	5	1	1
Total number of holders	1	2	2	1	2	5	1	1

REGISTERED OFFICE OF THE COMPANY

Ground Floor
15 Rheola St
West Perth
Western Australia 6005

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

STOCK EXCHANGE LISTING

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

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

SHARE REGISTRY

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

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

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

COMPANY SECRETARY

The name of the company secretary is Andrew James Gastevich.

TAXATION STATUS

Entek Energy Limited is taxed as a public company.

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

VOTING RIGHTS

For all ordinary shares, voting rights are one vote per member on a show of hands and one vote per share in a poll.

TWENTY LARGEST HOLDERS OF ORDINARY SHARES

	Number of Shares	Percentage of Total
National Nominees Ltd	32,246,941	6.31%
JP Morgan Nominees Australia Limited	27,573,538	5.40%
UBS Nominees Pty Ltd	22,250,000	4.36%
HSBC Custody Nominees(Australia) Limited	21,926,264	4.29%
Topspeed Pty Ltd<Skinner No 1 Super A/C>	18,399,750	3.60%
Mr James David Taylor	13,095,933	2.56%
Citicorp Nominees Pty Ltd <Colonial First State Inv A/C>	11,377,637	2.23%
Mr Graham Douglas Riley & Mrs Anne Marie Riley<The Riley S/F A/C>	8,349,838	1.64%
Zero Nominees Pty Ltd	6,207,930	1.22%
Ian Sandover & Associates Pty Ltd<Sandover Super A/C>	5,400,000	1.06%
Mr Kenneth John Bull	5,000,000	0.98%
HSBC Custody Nominees <NT-Comnwlth Super Corp A/C>	4,812,795	0.94%
Escor Investments Pty Ltd	4,794,905	0.94%
Mrs Janice Ivy Skinner<Skinner Family A/C>	4,764,000	0.93%
Mr James David +Mrs Marion Amy Taylor <ITS Management S/F A/C>	4,152,494	0.81%
Ice Cold Investments Pty Ltd	4,000,000	0.78%
Citicorp Nominees Pty Limited	3,654,438	0.72%
Pouvoir Pty Ltd <Brimage Super Fund A/C>	3,500,000	0.69%
Mr David Kenneth+Mrs Charmayne Anderson<TheCantebury S/Fund A/C>	3,000,000	0.59%
Palazzo Nominees Pty Ltd <Palazzo Investment A/C>	3,000,000	0.59%
	207,506,463	40.64%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 DECEMBER 2012

	Number of Options	Percentage of Total
Mr Timothy Hopkins	750,000	100.00%
	750,000	100.00%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 JANUARY 2013

	Number of Shares	Percentage of Total
Mr David Christian	750,000	50%
Mr Michael Verm	750,000	50%
	1,500,000	100%

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 OCTOBER 2013

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

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 DECEMBER 2013

	Number of Options	Percentage of Total
Mr Timothy Hopkins	750,000	100%
	<u>750,000</u>	<u>100%</u>

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 JANUARY 2014

	Number of Options	Percentage of Total
Mr David Christian	750,000	50.00%
Mr Michael Verm	750,000	50.00%
	<u>1,500,000</u>	<u>100.00%</u>

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 24 MAY 2014

	Number of Options	Percentage of Total
Premier Developments & Investments Pty Ltd	3,000,000	27.28%
Mr Graham Riley & Mrs Anne Marie Riley	2,000,000	18.18%
Mr Andrew Padman & Mrs Katherine Padman	2,000,000	18.18%
AF Consulting Pty Ltd	2,000,000	18.18%
Mr Andrew Gastevich	2,000,000	18.18%
	<u>11,000,000</u>	<u>100%</u>

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 30 JUNE 2014

	Number of Options	Percentage of Total
Mr David Smith	1,000,000	100%
	1,000,000	100%

TWENTY LARGEST HOLDERS OF OPTIONS EXPIRING 31 DECEMBER 2014

	Number of Options	Percentage of Total
Mr Timothy Hopkins	750,000	100%
	750,000	100%

SUBSTANTIAL SHAREHOLDERS

Date Announced	Name	Number of Shares
13 Oct. 2011	Acorn Capital Limited	39,193,384

INTERESTS IN OIL & GAS TENEMENTS

LEASE INTEREST

UNITED STATES – OFF SHORE:

FEDERAL OUTER CONTINENTAL SHELF BLOCKS

Block 517, West Cameron	100%
Block A133, Galveston	38%
Block 212, Galveston	100%
Block 213, Galveston	100%
Block 975, Padre North	25%

UNITED STATES – ON SHORE:

Colorado - Project: Battle Mountain – Counties: Routt, Moffat	55.00%
- Project: Slater Dome – Counties: Routt, Moffat	55.00%
- Project: Focus Ranch – County: Routt	55.00%
Wyoming - Project: Battle Mountain – County: Carbon	55.00%
- Project: Slater Dome – County: Carbon	55.00%
- Project: Scorpion – County: Carbon	55.00%
- Project: Dolan Mesa – County: Carbon	55.00%

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

INTRODUCTION

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

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

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

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

PRINCIPLE 1: LAYING SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Role and Responsibilities of the Board

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

After appropriate consultation with executive management the Board:

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

PRINCIPLE 2: STRUCTURING THE BOARD TO ADD VALUE

Composition of the Board

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

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

- does not hold an executive position;
- is not a substantial shareholder of the Company or an officer or otherwise associated directly or indirectly with a substantial shareholder of the Company;
- has not within the last 3 years been employed in an executive capacity by the Company or another Group member or been a director after ceasing to hold such employment;

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

- is not a principal of a professional adviser to the Company or another Group member;
- is not a significant supplier or customer of the Company or another Group member, or an officer of, or otherwise associated directly or indirectly with a significant supplier or customer;
- has no significant contractual relationship with the Company or any other Group member other than as a director of the Company; and
- is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Mr Graham Riley meets these criteria from 1 February 2011, Mr Alexander Forcke from 15 February 2011 and Mr Andrew Padman from 1 September 2008. Mr Graham Riley has been the Chairman of the Board from 1 February 2011.

Nomination of Other Board Members

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

Independent Advice

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

PRINCIPLE 3: PROMOTION OF ETHICAL AND RESPONSIBLE DECISION MAKING

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

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

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

PRINCIPLE 4: SAFEGUARDING INTEGRITY IN FINANCIAL REPORTING

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

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

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

PRINCIPLE 5: MAKING TIMELY AND BALANCED DISCLOSURE

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

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

PRINCIPLE 6: RESPECTING THE RIGHTS OF SHAREHOLDERS

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

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

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

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

PRINCIPLE 7: RECOGNISING AND MANAGING RISK

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

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

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

A Remuneration Committee has been established.

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

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

ADDITIONAL INFORMATION AS AT 26 SEPTEMBER 2012

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

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

"Recommendation" Ref (“Principle No” Ref followed by Recommendation Ref)	Departure	Explanation
2.4	A separate Nomination Committee has not been formed.	The Board comprises four members each of who have valuable contributions to make in fulfilling the role of a nomination committee member. A director will excuse himself where there is a personal interest or conflict.