

## QUARTERLY ACTIVITIES REPORT

### NIOBRARA OIL RESOURCE PROJECT

The Company's Niobrara current lease position totals about 63,600 net acres across more than 170,000 gross acres under lease which represents a significant holding for a company of Entek's size. This total includes a 20% working interest in the Battle Mountain AMI comprising about 18,300 net acres, plus the Focus Ranch Unit area in which Entek has an operating working interest in excess of 99% comprising some 40,000 net acres. It is noted that Entek chose to not participate in certain non-core lease renewals and acquisitions within the Battle Mountain AMI during the latter part of 2015 for cost saving considerations; which resulted in its net acre position within that AMI to reduce by some 3,000 acres.

Leases	State/County	Operator	Gross Acres	WI %	Net Acres to Entek
Battle Mountain AMI	WY/Carbon	GRMR	~119,700	20%	~18,300
Entek AOI (including the FRU)	WY/Carbon & CO/Routt	Entek	~50,800	99%+	~45,300
Total			~170,500		~63,600

#### *Battle Mountain AMI*

During the second half of 2015 the Operator of the Battle Mountain AMI (GRMR) drilled the three exploration/commitment wells which formed part of the January 2013 Agreement between Entek and GRMR, with Entek being fully carried in all drilling and relevant well testing costs. These wells comprised the Cobb 12-7, McKee 5-16 and State 15-8, all located within the extensive 3D seismic survey that was acquired previously by GRMR.

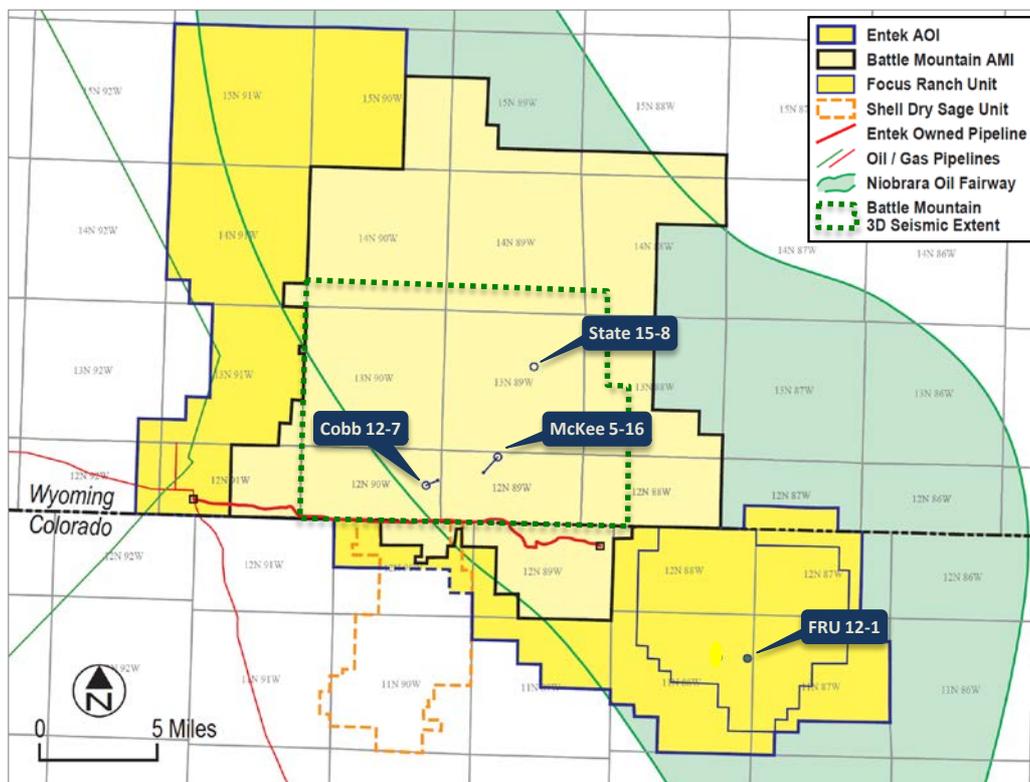
The first two of the wells were drilled to primarily target naturally fractured Niobrara Formation reservoir evident on the 3D seismic. Both of these wells, Cobb 12-7 and McKee 5-16, encountered operational rig related problems during critical phases of drilling the complicated, high angle/ horizontal sections of these wells in the Niobrara Formation, and consequently failed to test the target objectives.

As previously announced, the Cobb 12-7 well has since been temporarily abandoned without a successful completion within the Niobrara section despite encouraging hydrocarbon shows encountered in that zone. A shallow gas sand in the well remains a potential completion candidate for 2016.

The McKee 5-16 well was completed in the Niobrara Formation, although the well was significantly out of zone and no significant open fractured reservoir was intersected. The subsequent test did not yield economic flow rates and the well has now been plugged and abandoned (P&A).

The State 15-8 well intersected the stratigraphic section as predicted, with hydrocarbon shows seen in the primary zone being confirmed by wireline logs; following which the well was cased for flow testing. Although testing of this zone was initially anticipated to be undertaken during the 2015 season, the Operator has been unable to test the well prior to winter and wildlife related operating restrictions. Accordingly, the decision to flow test this well has been deferred by the Operator until the 2016 operating season subject to further technical and commercial considerations.

The map below shows the location of the three wells (Cobb 12-7, McKee 15-8 and State 15-8) discussed above, and which lie within Entek's significant land position.



*Map showing Entek's Niobrara Land Position & Key Wells*

Since the conclusion of last year's drilling program, well post mortem studies have been undertaken and workshopped with GRMR. These discussions have included preliminary discussions about the forward strategy and exploration plans for 2016 as proposed by the Operator. These discussions have identified several improvements and well plan changes to be made to future drilling campaigns in order to more effectively drill, test and complete the naturally fractured Niobrara targets.

Significantly, the geological potential and prospectivity of the Niobrara play in our area has not been downgraded by last year's wells. The Operator has already permitted and is now planning wells for an even more aggressive program in 2016. Even in the present challenging oil price environment, GRMR are comfortable being counter cyclic in pursuing the play's potential in a relatively low operating cost environment in anticipation of a turnaround in global crude oil prices. Additional targeted infill leasing

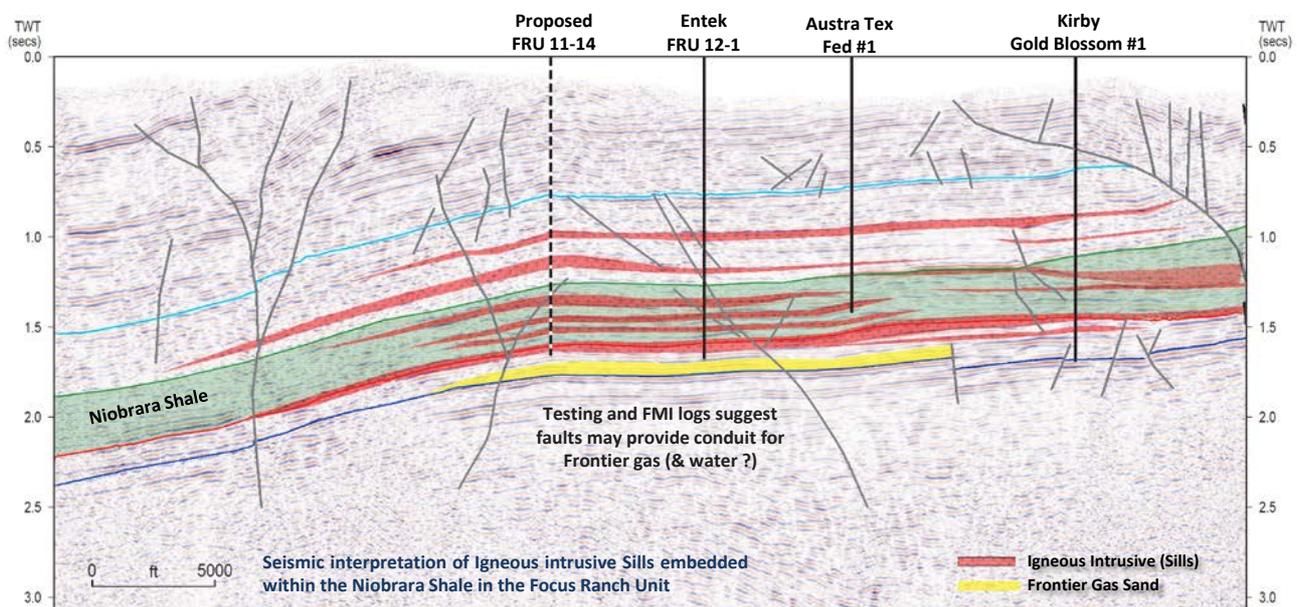
activities are also being undertaken by the Operator within the Battle Mountain AMI as a further sign of GRMR's continued enthusiasm for this play.

Entek will diligently assess and review the well locations, new leases and detailed drilling plans once received from GRMR as part of its broader strategic review to address the Company's funding requirements, options and limitations going forward. This is discussed in more detail in the Corporate Section below.

### ***Focus Ranch Unit 12-1 Well***

Testing of the FRU 12-1 well has been completed during the last quarter, with the well now being shut in and secured for winter. Samples have been collected through the testing period and these are being analyzed. Integration of this data with the earlier flow test and pressure build-up results will provide strong indication of the production potential of the FRU 12-1 well and how that relates to the prospectivity of the play. This work is well underway and preliminary conclusions are summarized below:

Gas and pressure build ups during operations suggest that near wellbore faults are acting as conduits for higher pressure gas and some water from the Frontier level which sits below the Niobrara Formation. These faults are likely allowing gas and possibly water to preferentially flow into the wellbore (refer seismic interpretation diagram below), effectively reducing oil production from the lower pressure fractured Niobrara Formation.



***Focus Ranch Unit (FRU) – Seismic Section, Niobrara & Sills***

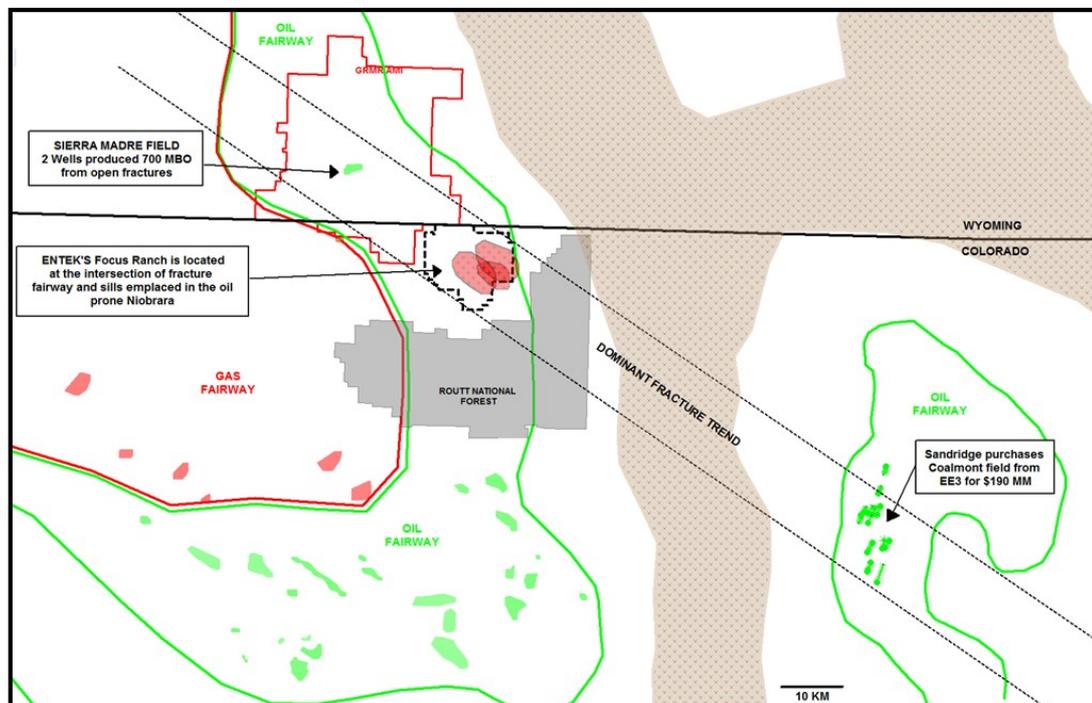
Major operators such as Shell have dramatically improved Niobrara drilling and completion techniques over the past few years. The 12-1 well was originally drilled with fresh water drilling mud. Significant near wellbore formation damage is interpreted to have occurred in the Niobrara Formation as a result of the original water based mud combined with the protracted six year shut-in period prior to the 2015 tests. The significant recovery of particulate matter, asphaltenes, and emulsions mixed with recovered oil supports

this interpretation. These components were not evident during the previous successful testing operations of this well dating back to 2009. Our attempts to overcome this reservoir damage during the testing period by way of a stimulation/propellant treatment was not successful given the high pressure gas influx from the deeper Frontier Formation as discussed above.

The 2015 legal success in regaining physical access rights to the Focus Ranch Unit was a very significant step forward for Entek. We are now finally able to explore and prove the exploration/production potential of this geologically unique area, and the landmark legal decision greatly enhances our ability to introduce new industry partner(s) to assist in the exploration of the Unit. Planning is now underway to undertake the exploration and development in the Focus Ranch Unit. Plans include seismic, new wells drilled with current completion techniques, and gas pipeline routes to connect the gas potential to Entek's Slater Dome gas gathering system.

### *Recent Niobrara Transaction*

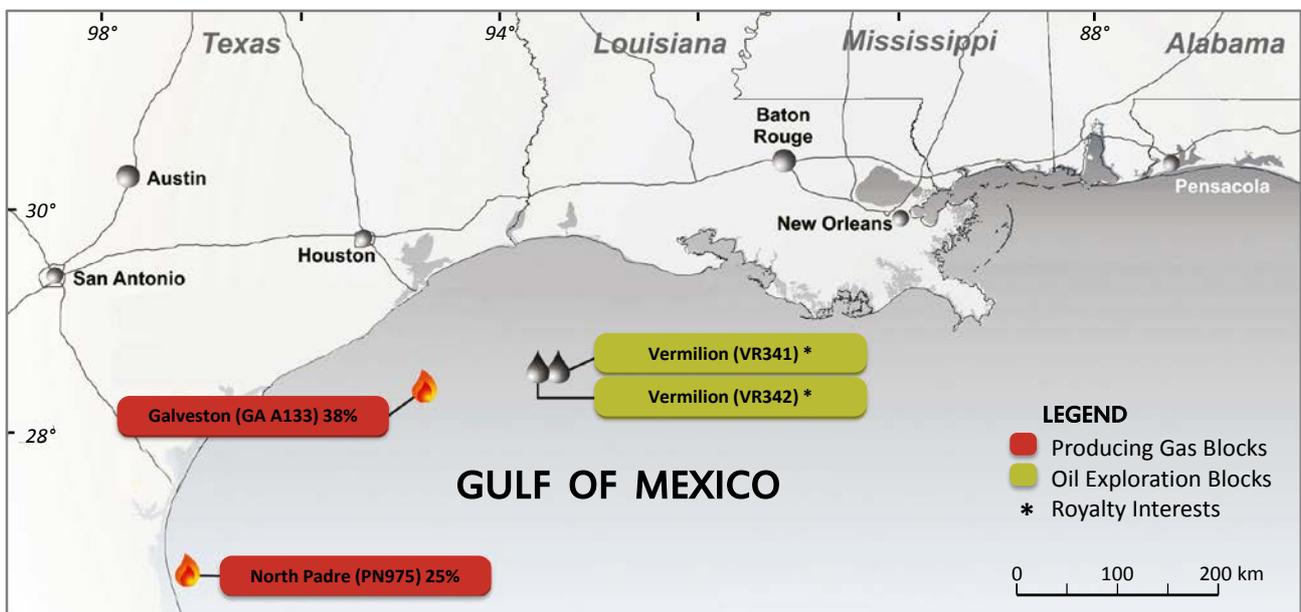
The Company is encouraged by a recent transaction at this low point of the commodity cycle. Sandridge Energy Inc. has purchased 136,000 net acres in the North Park Basin from EE3 LLC for US\$190 million. The metrics being US\$40,000 per flowing BOE and US\$1,100 per net acre for undeveloped acreage. This is very encouraging for Entek's approx. 63,000 net acre position in essentially the same play situated nearby (as shown on the map below).



Whilst the North Park Basin is further advanced by way of established production, with a series of successfully drilled and multi-staged fraced horizontal wells (as compared to Entek’s leases), the geological setting of the Niobrara Formation is very similar in terms of natural fracturing, thickness and depth. We therefore remain confident that the value potential of our leases can be significantly upgraded by way of drilling successfully executed horizontal wells.

## GULF OF MEXICO

The Company currently has working interests in two gas producing blocks in the Gulf of Mexico in addition to an overriding royalty interest in two additional blocks. The map below shows these holdings.



During the quarter the Company continued to generate cash flow from the Gulf of Mexico as shown in the attached Appendix 5B.

The main source of revenue from the GoM is presently from the VR341/342 oil development royalty following the natural decline and periodic shut-ins of the two gas production wells.

## CORPORATE

### *Cash Position*

As at 31 December 2015, the Company's cash reserves stand at A\$2.5 million, with the bulk of exploration expenditure incurred during the last two quarters reflecting the work undertaken within the Focus Ranch Unit including road building and well testing. All of those costs have now been paid and no significant further exploration expenditures will be incurred in the coming period.

As previously advised, effective from 1 July 2015 there has been a change in the classification of expenses being reported in the Appendix 5B. Payroll and other administrative expenses associated with the Denver operations of Entek GRB LLC had been reported as "exploration & evaluation" expenses in prior years. These expenses are now being classified as "administrative" expenses.

### *Funding/Strategic Review*

The Entek Board is cognizant and deeply disappointed that the 2015 drilling and well testing campaign did not yield the results that we had expected. With the continued weakness in global capital markets and commodity prices, we have now had to address the Company's overall cost and management structure in order to further reduce our overheads and administrative expenses. As operator of the Focus Ranch Unit which remains a key asset of the Company, Entek has an operating base in the US which needs to be retained, and funded whilst we are exploring various options to deal with our US assets in the current difficult market conditions.

As part of our cost cutting measures, Entek did not renew the recently expired contract of its Perth based CEO and MD, Mr Trent Spry and has now shifted the overall management of the Company to the US, with Ms Kim Parsons appointed as CEO of Entek, reporting directly to its Perth based Board. Kim has been Entek's US Regional Manager since mid-2013, is intimately aware of Entek's presence and properties in the US, and brings in excess of 30 years of experience in the US Rocky Mountain region as well as internationally with Exxon, Gulf, and Venoco.

Where possible, further cost cutting measures will be undertaken over the coming months as the Company moves towards rationalising its US assets. This rationalisation is as yet undecided, but may possibly take the form of an outright sale or farm-down of our offshore and onshore assets including pipeline infrastructure. Discussions with various interested parties are underway. We will further update shareholders as these discussions develop.

## Top 20 Shareholders

The current Top 20 Shareholders of the Company as at 25 January, 2016 are set out below:

Rank	Name	Units	% of Units
1	UBS NOMINEES PTY LTD	24,980,398	4.89
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	22,752,617	4.46
3	MININGNUT PTY LTD	21,750,000	4.26
4	TOPSPEED PTY LTD <SKINNER NO 1 SUPER A/C >	18,145,545	3.55
5	GDR PTY LTD <THE RILEY SUPER FUND A/C >	14,174,919	2.78
6	MR JAMES DAVID TAYLOR	13,095,933	2.56
7	MR JAMES DAVID TAYLOR + MRS MARION AMY TAYLOR <ITS MANAGEMENT S/F A/C >	8,452,494	1.66
8	IAN SANDOVER & ASSOCIATES PTY LTD <SANDOVER SUPER A/C >	7,500,000	1.47
9	MR KIEREN JAMES MANN	6,834,896	1.34
10	STRUVEN NOMINEES PTY LTD <ALAN STRUNIN STAFF S/F A/C >	6,125,000	1.20
11	A F CONSULTING PTY LTD <A F INVESTMENTS S/FUND A/C >	6,000,000	1.17
12	MR KENNETH JOHN BULL	5,000,000	0.98
13	VECTOR NOMINEES PTY LIMITED <THE WRIGHT FAMILY A/C >	5,000,000	0.98
14	JP MORGAN NOMINEES AUSTRALIA LIMITED	4,965,434	0.97
15	MR ANTHONY NOEL SANDOVER <A & W SANDOVER FAMILY A/C >	4,500,000	0.88
16	WEINER PTY LTD	4,406,124	0.86
17	CITICORP NOMINEES PTY LIMITED	4,205,110	0.82
18	A M RILEY PTY LTD <A M RILEY SUPER FUND A/C >	4,174,919	0.82
19	MR ALEXANDER FORCKE	4,000,000	0.78
20	ICE COLD INVESTMENTS PTY LTD	4,000,000	0.78
<b>Totals: Top 20 holders of ORDINARY SHARES</b>		<b>190,063,389</b>	<b>37.22</b>

For further information contact:

### KIM PARSONS

#### Competent Persons Statement:

Information in this report that relates to Hydrocarbon Reserves / Resources is based on information compiled by Ms Kim Parsons, CEO of Entek Energy Limited who has consented to the inclusion of that information in the form and context in which it appears. Ms. Parsons is highly qualified and has over 30 years' experience in geoscience in the international petroleum industry.

#### ENTEK AT A GLANCE

Entek is US focussed with a substantial acreage position in the Niobrara Oil Resource Play, including an area of enhanced potential due to embedded Igneous Intrusive Sills. Entek's US portfolio is balanced with non-operated production and royalty interests in the Gulf of Mexico.

#### DIRECTORS

**Graham Riley**  
*Chairman*  
**Kim Parsons**  
*Chief Executive Officer*  
**Alexander Forcke**  
*Non-Executive Director*  
**Andrew Padman**  
*Non-Executive Director*

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