

Quarterly Activities Report

Overview

During the quarter the primary focus of Entek Energy Limited (“Entek”) continued to be the reconfiguration of the company’s asset base and the consideration of new projects to advance shareholder value.

Rationalisation of the US assets is ongoing, placing the Company in a sound financial position of having cash reserves with very limited liabilities. This will enhance the ability of the company to quickly advance any new projects which it may enter into and to return shareholder value at the earliest opportunity.

Entek is now well advanced in the identification of alternative assets and the board remains confident that in the near term it will be in a position to announce to shareholders the results of its asset identification and acquisition program.

United States

During the quarter the board continued to pursue the rationalisation of assets in the United States.

As previously reported, the Slater Dome Gathering System was sold and the proceeds utilized to map and abandon the flowlines associated with Slater Dome Field, in adherence with new safety and environmental requirements. Entek has reached agreement with the land owners over the sale of minor infrastructure assets which were not previously the subject of the disposal of the pipeline interest. These remaining assets carried no value in the accounts of Entek. In return for the landowner acquiring these assets, Entek has been released from any further liabilities to the landowner.

Focus Ranch assets were the subject of an option agreement entered into by Entek with Energy Investments Inc. Energy Investments Inc. has exercised its option and Entek has agreed to transfer its entire interest in Focus Ranch, and to retire as unit operator, effective from 1 January 2018. In return for the assignment of Entek’s interest in Focus Ranch to Energy Investments Inc., Energy

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.

DIRECTORS & OFFICERS

Mark McAuliffe
Executive Chairman
Clare Pope
Non-Executive Director
Tony Walsh
Non-Executive Director
Nerida Schmidt
Company Secretary

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Investments Inc. has borne all expenses incurred by Entek on the Focus Ranch assets since early 2017 and will assume and indemnify Entek for all liabilities going forward.

Entek continues discussions with GRMR about its Battle Mountain interests, Wyoming, and resolving the outstanding JIB issues associated with the project. Any proceeds from the Battle Mountain asset will be utilised to satisfy remaining liabilities and allow an orderly exit from the Colorado/Wyoming assets held by Entek GRB. Entek is optimistic that these negotiations can be concluded with a successful resolution in the near term.

The approach of the board in dealing with the US assets has been to continue the orderly rationalisation of the non-conventional oil and gas assets. The former board concluded that the US assets had little prospect of recovery in value in the near to mid-term and if retained could constitute a liability for the Company. The current board, having reviewed US operations and assets, and despite improvement in oil and gas prices, remained of the view that rationalisation of these assets is in the best interests of the Company and its shareholders.

The Slater Dome field was shut in December 2013, at which time it was then running at a loss. Focus Ranch has been the subject of long protracted litigation over access with the landowners. Environmental issues have also constrained Entek's ability to pursue any meaningful exploration over that ground. Battle Mountain was the subject of a number of unsuccessful exploratory wells having been drilled by Entek's joint venture partner, GRMR. GRMR has ceased operations in Colorado and appears to be undertaking its own rationalisation of assets.

As reported in the 2017 annual report, Entek is satisfied that the restructuring of these non-performing assets in the US has achieved a reduction in the company's financial exposure. As previously reported, provisions for rehabilitation have reduced by \$943,740. That liability primarily related to plugging and abandonment obligations.

New Projects

During the quarter the Company identified a number of projects that could be suitable as a flagship project and a number of other projects that would be suitable as secondary projects to form part of the company's asset portfolio. A number of these projects were the subject of detailed technical due diligence analysis. This was undertaken by the Company and its technical consultants.

To date technical due diligence analysis have led to the Company not pursuing several of these opportunities. However, a number of opportunities remain under detailed technical due diligence prior to further consideration by the board.

The board is firmly of the view that it should not commit the Company to a project unless it has significant prospects of improving shareholder value in the near term. Whilst many projects have been identified, and some of which have been reviewed, had some potential to enhance shareholder value, the potential was not considered significant enough to commit the company's cash reserves at this time. The board's focus is on securing a project of significance in the oil and gas sector, preferably in conventional oil and gas.

Finance

As at the reporting date, the Company holds cash reserves of A\$4.47 million. Expenses in the six months to 31 December 2017 were well contained. Actual expenses were further reduced and for the first six months of the financial year came in well below budget. The board remains firm in its resolve to tightly contain expenses and preserve the Company's cash reserves in anticipation of the acquisition of a project in the near term.

Corporate

At the 2017 AGM both Clare Pope and Tony Walsh were re-elected as Directors. Peter Stern resigned from the board shortly prior to the AGM and did not stand for re-election. Mark McAuliffe retains the role of Executive Chairman and Managing Director.

For further information contact:

Mark McAuliffe
Executive Chairman