



ENEABBA GAS LIMITED

ANNUAL REPORT 2008

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ENEABBA GAS LIMITED

ABN 69 107 385 884

ANNUAL GENERAL MEETING

The Annual General Meeting of Eneabba Gas Limited will be held at Holiday Inn City Centre Perth, 778-788 Hay Street, Perth, Western Australia, Australia at 11.30am on Friday, 17th October 2008.

STOCK EXCHANGE LISTING

The Company's shares and options are listed under the codes ENB and ENBO on the Australian Securities Exchange.

Reference in this report to 'year' or 'financial year' means the 12 months ended 30 June 2008. All units of currency are expressed in Australian dollars unless otherwise specified.

Eneabba Gas Limited is the parent company of the Eneabba Group of Companies. In this report, unless otherwise specified, references to "Eneabba Gas" and "the Group" refers to Eneabba Gas Limited and its controlled entities as a whole and reference to "the Company" refers to Eneabba Gas Limited. "EEPL" refers to Eneabba Energy Pty Ltd, "EHPL" refers to Eneabba Holdings Pty Ltd, "EMPL" refers to Eneabba Mining Pty Ltd and "EPPL" refers to Eneabba Power Pty Ltd.

CORPORATE DIRECTORY

DIRECTORS

Reginald N Gillard - Chairman
Mark H Babidge - Managing Director
Christopher E Bennett - Non-executive director
Peter R Oates - Non-executive director

COMPANY SECRETARY

Susmit M Shah

GROUP ACCOUNTANT

Jason Cleasby

REGISTERED OFFICE

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AUDITORS AND TAXATION ADVISERS

PKF Chartered Accountants

ENVIRONMENTAL CONSULTANTS

Stratgen Environmental Consultants Pty Ltd

GEOLOGICAL CONSULTANTS

Westby Consulting Pty Ltd

INDEPENDENT ENERGY ADVISERS

ACIL Tasman Pty Ltd

LEGAL ADVISERS

Minter Ellison
Hardy Bowen

POWER AND WATER CONSULTANTS

Worley Parsons Pty Ltd

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
PO Box 535
Applecross WA 6953
Tel: +61 8 9315 2333

LOCATION MAP

CENTAURI 1 POWER STATION





MISSION STATEMENT

Eneabba Gas Limited is focused on developing resources that generate

- **energy** for regional infrastructure
- **benefits** to the local community, and
- **wealth** for its stakeholders.



CHAIRMAN'S LETTER

Dear Shareholder

Your Company has endured another frustrating year.

Industrial and mining project development in the Mid-West region of Western Australia, resulting in power offtake agreements with the Company, has been thwarted by a mixture of acrimonious takeover activity, delays in infrastructure approvals, and drastically deteriorating market conditions clouding the way forward and making development capital difficult to access.

Despite this, your Company successfully sold half of its gas inventory at a profit of \$595,000 and is in a position to sell the remaining half should the opportunity arise. Any sale would add a significant

sum to the funds already on deposit (\$2.6 million). The Company is therefore well placed in respect to ongoing working capital requirements.

On a brighter note the oil price spiral has encouraged the rapid development of technologies, which may assist your Company to commercialise its considerable holding of coal prospective tenements. Early stage discussions are taking place with several parties in this respect.

The Company is the only holder of the Economic Regulation Authority's power generation licence in the Mid-West region. This gives it a considerable competitive advantage, which can result in increased shareholder value when infrastructure

issues fall into place through collaborative action between industry players and the State Government.

On behalf of the Board of Directors, my sincere thanks go to all the management and staff for their efforts and we look forward to achieving some significant goals this financial year.

Reg Gillard

Chairman

29 August 2008

During the year, several key operational milestones have been achieved and the Company is moving toward the final studies that will engage us with the SWIS network. In regard to the proposed development of the Centauri 1 Power Station, eight kilometres east of Dongara, Western Australia (WA) these are:

- Planning approvals have been secured from the Irwin Shire, Environmental Protection Authority ("EPA") and the Department of Industry and Resources for the Centauri 1 power station site.
- Final construction works approval has been secured from the EPA.
- Economic Regulation Authority has granted approval for the Company's Generation License.
- Initial drilling program of coal tenements has been concluded with results being analysed.
- Memorandum of Understanding (MOU) has been signed with Verve Energy to swap gas for operational flexibility and the Company is in active discussions with Verve Energy to expand the MOU in relation to gas swaps and also energy delivery into the Mid West.

The Company's Centauri 1 Power Station now has all the necessary regulatory approvals for development, but due to a delay in the confirmation of definite take or pay contracts for electricity supply with iron ore customers in the Mid West region of WA, the Company has had to delay activating the agreement with GE Energy to acquire four GE LM 6000 gas-fired turbines. With the current appreciation and rate changes of the Australian Dollar, pricing does not appear to significantly impact the initial cost of the plant.

The development approvals of iron ore producers and the delays by the State Government of announcements of infrastructure have left the Mid West in limbo. The Environmental Protection Authority is still considering issues in regard to Banded Iron Formations (BIF) causing severe delays to the development of mining projects in the region. The snap WA election will no doubt further delay these approvals.

With the onset of a carbon scheme in 2010, (the details of the Carbon Pollution Reduction Scheme remains unclear), the Company is confident that its relatively low carbon emission compared to coal-fired generators will provide the Company with a competitive advantage. However, management is concerned as to the focus on the proposed 'bonus' certificates and retention of coal-fired power outlined in a transitional assistance measure. Certain categories of firms (including coal-fired power stations) might receive some emissions permits for free whilst cleaner gas-fired power stations will not be entitled to free permits.

The Company has lodged a written submission to the Department of Climate Change in relation to the above transitional assistance measure. It is the opinion of management that our cleaner gas-fired generators' competitive advantage is being ebbed away by providing dirtier coal-fired generators free carbon emission permits. The purpose of the submission is to ensure that our Company and other low carbon emitting generators are not penalised for being a cleaner, greener alternative.

We are focused on our responsibility to the environment and have recently become a Greenhouse Challenge Plus member. As part of our obligation under the agreement with the Australian Government, the Company is implementing programs and policies to reduce carbon emissions.

Exploration

The Company has some 10 Mining Tenements (held by its 100% subsidiary Eneabba Mining Pty Ltd – "EMPL"). The aim of the Stage I exploration programme was to identify the future opportunities that exist not only for the potential for Coal Seam Methane ("CSM") as an alternative fuel source for the power station, but with the high profile of alternative fuels and resources as a result of the latest technology, the potential for *coal gasification* of the likely resources.

EMPL has finally been granted E 70 / 3314, a small but important extension to the coastal tenement areas north of Dongara. This will ensure that in conjunction with the existing tenement E 70 / 2758, EMPL is capable of extending the resource base to maximise its coverage of the target area.

The Company focused on the holes drilled in the 2007 season and has undertaken assays on coal quality. The position of the holes, plus the prior holes that had been drilled in the area with complete logs, were referenced to ensure that an initial layout of the area was viable, before having to surrender areas that may prove to be economic. Drilling and core data have been reviewed and correlated to confirm the continuity and thickness of the coal seams in the target area.

An assessment the Company's remaining tenements for the testing and initial information on the suitability for use in entrained flow gasification technologies (coal gasification) were undertaken from cores drilled. The initial coal quality data indicates that the coal is sub-bituminous in rank similar to Collie coal and results are encouraging as advice from the Cooperative Research Centre for Coal in Sustainable Development (CCSD) noted that **"...the proximate volatile matter content of the samples in your analysis place the coals in a similar range to a number of coals we have tested successfully in the CCSD program..."**

Documentation has been lodged with the Department of Industry and Resources (DoIR) for approval of a drill program of approximately 20 holes. While the DoIR is undertaking a process to expedite the approval of drilling programmes, no timeline is yet available to the Company for commencement of drilling. With the high profile of alternative fuels and resources as a result of the latest technology, the potential for coal gasification of the likely resources could possibly increase. As a result of this 2007 data, the proposed 2008 exploration Program of Works has increased from 6 holes to 20 holes.

In anticipation of approval of the Program of Works, landowner agreements are in the process of being completed for all sites where drilling will be conducted.

Tenement E 70 / 2759 which was drilled last season is being further assessed for the potential of mineral sands. Results from further drilling should be available by November 2008.



ENEABBA GAS LIMITED



Gas Sale

On 29 February 2008, the Company sold a portion of its gas inventory. The sale of gas took advantage of favourable market prices and provided the Company with additional working capital. The Company will monitor its gas inventory closely and take further appropriate action if favourable conditions are presented.

Western Australian Gas Crisis

It was the intention of EEPL to begin building gas supply and storage in early October 2008, so as to gradually establish a gas inventory prior to expected start of generation in early 2010, as intermittent supplies were to become available onto the market. The ability to access the intermittent supply is greatly diminished as gas in WA is a scarce commodity. It is currently indicated that any detailed information will not be available until after the Xmas break.

EEPL has now accepted, that due to the gas crisis it is unable to have such intermittent supply to be activated until after the summer transport load decreases on gas pipelines and forward planning of transportation of gas is unlikely to commence until April / May 2009.

Environment

During the year the Company undertook a project to assess the potential of a pyrolysis plant on the Centauri 1 site. This was to assess the viability of creating agrichar from wheaten hay provided by local farmers and, in doing so, enhance the ability for carbon capture.

The outcome was supported by the Irwin – Mingenew Group and also the Department of Agriculture and Food (WADAF) in Geraldton. While the level / volume of wheaten chaff was readily available, the yield required still needed to be higher than was the norm in the area.

The Company has assisted in funding some trials with WADAF to increase research into the benefits of such wheat chaff into terra pretas, which should significantly increase yield in crops grown. The Company will continue working closely with the local community to ensure that the carbon capture of emissions can be reduced.

The Company is now a proud member of Greenhouse Challenge Plus and under agreement with the Australian Government to implement programs and policies to reduce our carbon emissions. With already

some 1,213 hectares (approx 3,000 acres) of remnant vegetation locked away for 50 years, further initiatives that improve our position as a 'carbon neutral site' will be explored.

The Company is also required under legislation to ensure it meets its own Renewable Energy Target ("RET") and should an opportunity present itself for renewable generation, either with a partner or as a further sole investment, such an opportunity in RET will be given positive support.

The Company has the ability to achieve its primary objective of creating a successful and profitable business based on its construction of an operating power station. In the past year, our small office team and also a few core consultants who have enthusiastically supported our project, have maintained the momentum while conserving the working capital. I sincerely thank both these groups for their significant support.



Mark Babidge
Managing Director

21 August 2008



Eneabba Energy Pty Ltd ("EEPL")

Owns the land 8 km east of Dongara, requested as the IMO proponent within the SWIS contracts for building of the power station. MOU with Verve Energy, KPTL and off takers;

Eneabba Mining Pty Ltd ("EMPL")

Owns the exploration tenements (10), operates exploration for coal and potential CSM;

Eneabba Holdings Pty Ltd ("EHPL")

Exploration under the Mining Act for minerals U, Th, K and mineral sands; and

Eneabba Power Pty Ltd ("EPPL")

Future retailer of power from Centauri 1 Power station.





BOARD OF DIRECTORS

Reginald N GILLARD

Chairman and Non Executive Director

After practising as an accountant for over 30 years, during which time he formed and developed a number of service related businesses, Mr Gillard now focuses on corporate management, corporate governance and the evaluation and acquisition of business opportunities. He has developed close working arrangements with a number of substantial Australian and international investment funds and has been responsible for and involved with the funding of several listed public companies. He holds a Bachelor of Arts degree, is a Registered Company Auditor, Justice of the Peace, Fellow of the Certified Practising Accountants of Australia and a Fellow of the Australian Institute of Company Directors.

Mr Gillard is the Chairman of the Corporate Governance Committee, the Nominations and Remuneration Committee and a member of the Audit and Risk Committee.

During the past three years he has also served as a director of the listed companies, Aspen Group Limited*, Perseus Mining Limited*, Caspian Oil & Gas Limited*, Lindian Resources Limited* (appointed 30 October 2006), Tiger Resources Limited* (appointed 9 December 2005), Moto Goldmines Limited (ceased 17 August 2005), Lafayette Mining Limited (ceased 20 June 2008), Pioneer Nickel Limited (ceased 13 June 2008), and Elemental Minerals Limited (appointed 6 June 2006 and ceased 30 June 2008).

* denotes current directorship

Mark H BABIDGE

Chief Executive Officer and Managing Director

In the past ten years Mr Babidge has actively run the corporate administration in the role Chairman, Managing Director, or Director of a number of public and private companies. He has managed utility companies in Australia and overseas, both major management roles have been with organisations whose turnover has exceeded \$1 billion per annum. He has held senior executive roles in many industries and undertaken management of medium to large businesses. These have included being the President of the Board of Compania de Telefonos de Chile (Chile Telephone Company) residing in Chile for 3 years, CEO of Bond Chile, and assisting in the management of Minería San José / Minería El Indio gold and copper mine, CEO's Representative, General Manager Telecom WA and "corporate doctor" mentoring and advising of a number of small business mining related enterprises in Australia.

Mr Babidge has a science background and a Graduate Diploma in Business Administration from the South Australian Institute of Technology (awarded the Prize for Marketing), attended the Advanced Management Programme (SEP-1983) Stanford University California and is a Fellow of the Australian Institute of Management.



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Christopher E BENNETT

Non Executive Director

Mr Bennett was formerly General Manager Finance and Company Secretary of Foodland Associated Limited, an ASX top 100 company. He has held senior executive finance positions in listed public companies for over 20 years. He is a member of the Council of the Curtin University of Technology. Mr Bennett holds a Bachelor of Commerce degree and is a Chartered Accountant.

He is the Chairman of the Audit and Risk Committee.

Peter R OATES

Non Executive Director

Mr Oates has 24 years of working experience in the electricity industry in Western Australia. His understanding of the electricity industry and, in particular, issues relating to adding new generation capacity to the interconnected grid will greatly assist the Company.

In his previous role at Western Power, he was part of the executive management team and was responsible for finance and administration and later for business development. In those roles he was responsible for supervising the bidding process for the 240MW of additional peaking capacity contracted by Western Power.

Mr Oates holds a Bachelor of Economics, an MBA from the University of Western Australia and he is a Fellow of the Australian Society of Certified Practising Accountants.

Mr Oates is a member of the Audit and Risk Committee, Nominations and Remuneration Committee and the Corporate Governance Committee.

Susmit M SHAH

Company Secretary

Mr Shah is a Chartered Accountant and has been involved as a director and company secretary of various Australian public companies for a number of years. He consults to public companies on a variety of matters including stock exchange requirements, joint venture negotiations and corporate fundraising.

Adoption of ASX Principles Recommendations

A summary of the main provisions of the Code of Conduct for directors and key executives and the main provisions of the Securities Dealing Policy are available in the corporate governance section of Eneabba Gas Limited's website.

Principle 1:

Lay solid foundations for management and oversight

The Company has adopted Principle 1. The Board Charter describes the matters that are the reserve of the Board. Responsibility for other matters is delegated to the CEO / Managing Director. A summary of the Board Charter is available on the Company's website.

Principle 2:

Structure the Board to add value

The Board has established a Nominations and Remunerations Committee. The Committee Charter, which is available on the Company's website, specifies the Committee's composition, responsibilities and member qualifications.

The Board Charter provides that the Board is to be comprised of a majority of non-executive independent directors with a Chairman who is independent and non-executive.

The independence of directors is reviewed annually prior to completion of the Annual Report. Independence is defined in accordance with the definitions contained within the ASX recommendations. Relevant disclosure is then made in the Annual Report.

Directors are entitled to obtain independent external advice on matters relating to accounting law or other relevant professional matters.

The procedures for selecting and nominating new candidates for the Board are more fully described in the Corporate Governance Statement and are available on the Company's website.

Principle 3:

Promote ethical and responsible decision-making

The Board has adopted a series of policies comprising a Code of Conduct for the Board which all Directors must sign prior to appointment to the Board.

The Code of Conduct addresses expectations for conduct in the following areas;

- Confidential information
- Rights of security holders
- Privacy
- Security trading
- Conflicts of interest
- Responsibility to suppliers and customers
- Employment policies and procedures

Copies of the main provisions of the Code of Conduct and Security Dealing Guidelines are available on the Company's website.

The Company has not adopted the so called "whistle blower" recommendations as this is considered unnecessary at this stage of the Company's operations.

Principle 4:

Safeguard integrity in financial reporting

The Board Charter provides for the formation of an Audit and Risk Committee the Charter of which is available on the Company's website.

The Committee reviews annually the Group's relationship with its external auditors including receipt of the audit independence statement on behalf of the Board.

The Chief Executive Officer / Managing Director and Company Secretary provide semi annually to the Board in writing a statement to the effect that the financial statements including the accompanying notes:

- are in accordance with the *Corporation Act 2001* and the relevant accounting standards; and
- present a true and fair view, in all material respects, of the Group's financial position and performance.

Principle 5:

Make timely and balanced disclosure

The Company has adopted policies concerning shareholder communication and continuous disclosure. The policies are designed to promote investor confidence by providing full and timely information to all security holders and market participants about the Group's activities, so as to comply with the requirements of the *Corporations Act 2001* and the ASX Listing Rules.

A summary of the continuous disclosure policy and the communications policy are available on the Company's website.

Principle 6:

Respect the rights of shareholders

The Company has established a link to the ASX website listing all of the Company's announcements to the market. Shareholders and market participants registering their email addresses with the Company are provided with a copy of each announcement.

The Company's auditors are required to attend the Company's AGM to answer any questions put to them by shareholders.

Principle 7:

Recognise and manage risk

The Board has adopted a detailed risk management policy a summary of which is available on the Company's website.

It is a policy of companies in the Group to adopt a common sense approach to the management of risk. This approach involves a clear strategy defining the risks that the Company is in a business to take and those that it is not.

The basis of this policy is the obligation and desire to protect:

- a) the Company's people and customers;
- b) the environment in which the Group operates;
- c) the Company's position as a provider of the highest quality services and products.

The Company's policy in respect of these foundations attributes that its physical, financial and human resources will be applied to ensure that the Company's standards of products and services achieve and exceed expectations. To do this the entity must pursue opportunities that involve some degree of risk. Shareholders and stakeholders must expect that optimisation of such rewards are only gained from this degree of risk taking.

Principle 8:

Encourage enhanced performance

The Board Charter provides the following:

Board policy is that the Board will constantly review and monitor its performance. As part of this process the Board may seek to appoint persons who, in the opinion of the Board, will provide specialist expertise required for the Board to adequately perform its role. Additionally, the Board will also review its composition and advise Board members where it is felt that a Director's skills are different from those required by the Company.

Principle 9:

Remunerate fairly and responsibly

The Company has established a Nominations and Remuneration Committee the Charter of which is available on the Company's website. The Committee's Charter includes the following duties:

1. Reviewing the remuneration guidelines for senior management, including base salary, bonuses, share options, salary packaging and final contractual agreements.
2. Reviewing non-executive fees and costs by seeking external benchmarks.
3. Reviewing the Managing Director's remuneration, allowances and incentives and final package in consultation with both independent and external reference.

Equity components of remuneration, including the issue of options, are required to be approved by shareholders prior to award.

Principle 10:

Recognise the legitimate interests of stakeholders

The Board has approved a Code of Conduct a summary of which is available on the Company's website.

All Directors, executives and employees are required to comply with that Code.

Failure to comply will result in disciplinary action and may include reprimand, formal warning, demotion or, in extreme cases, termination of employment.

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2008.

Directors

The names of directors in office at any time during or since the end of the year are:

R N Gillard	Chairman
M H Babidge	Chief Executive Officer and Managing Director
C E Bennett	Non-executive Director
P R Oates	Non-executive Director
T L C Goh	Executive Director (resigned 9 November 2007)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

Mr S M Shah has been the Company Secretary of Eneabba Gas Limited throughout the financial year.

Principal activities

The principal activity of the economic entity during the financial year was progressing towards the commencement of construction of the proposed 168 MW Centauri 1 power station near Dongara, Western Australia.

Operating results and review of operations

The consolidated loss of the economic entity after providing for income tax was \$602,717 (2007: \$1,697,270). A review of operations can be found on pages 6 and 7 "Management & Operations Review 2007-2008".

Future developments

The Company is encouraged by the recent announcement by the Western Australian Premier, Alan Carpenter, on the 29th July 2008, "Oakajee Port and Rail to build new Mid-West iron ore port" and hopes that development in the area can finally get underway. The Company is keen to work together with proponents in the Mid-West region to ensure the adequate supply of electricity. Eneabba Gas Limited is the only holder of the Economic Regulation Authority's power generation licence in the Mid-west that enables the Company to supply electricity in the additional volumes required to service the region.

Through the wholly owned subsidiary, Eneabba Mining Pty Ltd ("EMPL"), documentation has been lodged with the Department of Industry and Resources (DoIR) for approval of a drill program of approximately 20 holes. While the DoIR is undertaking a process to expedite the approval of drilling programmes, no timeline is yet available to the Company for commencement of drilling.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs.

Dividends paid or recommended

No dividend was paid or declared during the year and the directors do not recommend the payment of a dividend.

After Balance day events

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

Environmental issues

The operations of the consolidated entity are subject to environmental regulation under the laws of the Commonwealth and the States in which those operations are conducted.

The Directors are not aware of any environmental matters that would have a materially adverse impact on the overall business of the Consolidated Entity. There have been no known breaches of environmental laws or permit conditions while conducting operations during the year.

Risk management

It is a policy of companies in the Eneabba Group to adopt a common sense approach to the management of risk. This approach involves a clear strategy defining the risks that EGL is in a business to take and those that it is not. The basis of this Policy is the obligation and desire to protect:

- EGL's people and customers;
- the environment in which EGL operates;
- EGL's position as a provider of the highest quality services and products.

The Company policy in respect of these foundations attributes that its physical, financial and human resources will be applied to ensure that EGL's standards of products and services achieve and exceed expectations. To do this the entity must pursue opportunities that involve some degree of risk. Shareholders and stakeholders must expect that optimisation of such rewards are only gained from this degree of risk taking.

The application of this policy is the responsibility of the EGL Board via the CEO. The CEO and the leadership team are responsible for implementation of this Policy and report performance and strategic targets that will be conducted routinely depending on the nature of the economic size of the risk and its effect on the business bottom line. This strategy is supported by a detailed management framework to identify and evaluate risk, control, response measures, all to improve / optimise EGL's profile and key performance indicators (KPI's) that apply across the organisation.

The risk management framework will facilitate six monthly reports to be given by management to the Audit and Risk Committee at the same time that half year and annual accounts are being considered. In addition the EGL Board will review this annually as a separate Board Agenda and ensure its continued application and relevance.

The risk management framework also obliges specific Board consideration at annual intervals of reports to be given by management to the Board. Each year annual budgets are submitted by management for Board approval. Monthly results, including comparisons against budget, are submitted to the Board at each meeting.

Guidelines for capital expenditure have been established, including the requirements for Board approval of capital expenditure beyond certain approved limits, detailed submissions from management seeking Board approval of such capital expenditure, due diligence procedures prior to purchases of businesses and regular post capital expenditure reviews.

Management provides written reports to the Board prior to each Board meeting, including Managing Director's report, covering the business of the Group and reports of external transactions likely to have relevance to the Group and contacts with regulatory agencies. The report also contains litigation initiated either for or against the Company. Reports covering mineral exploration activities are also received. The Company also has in place an annual review of its insurance programme.

EGL is committed to the philosophy of effective business risk management as a core management capability required to create growth of long-term shareholder wealth.

Information on directors

The qualifications and experience of Directors are shown on pages 8 and 9 of this Annual Report.

Remuneration report

Executives

With effect from 1 September 2007, the annual base salary and allowances of executive directors were as follows:

M H Babidge

Base Salary	Superannuation	Allowances
\$190,000	\$17,100	\$15,750

T L C Goh *

Base Salary	Superannuation	Allowances
\$120,000	\$10,800	\$15,750

* Mr Goh resigned on the 9th of November 2007. Under the original terms of their issue, 2,500,000 Executive Options previously granted to Mr Goh lapsed upon cessation of his employment.

These executives are also entitled to 20 days annual leave and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. Either party may elect to terminate the agreed arrangements by the giving of three (3) months notice.

In the case of the Company terminating employment or redundancy, or where the employment is terminated within 4 months following a "change of control" as defined by the *Corporations Act 2001* executives nominated will be entitled to receive a redundancy termination payment, which will be not less than 24 months "Base Salary Package" referred to above applying at the time of termination, but not ever being less than the Base Salary Package at any time.

The letters of appointment provide that remuneration will be reviewed each year based on performance and the scope of position responsibilities.

Non-executive directors

At the 2005 Annual General Meeting shareholders approved a pool of \$200,000 per annum for non-executive directors' fees. The Board has subsequently agreed that the Chairman will receive annual remuneration of \$50,000 plus superannuation at the statutory guarantee level and allowances of \$15,750 per annum and other non-executive directors will receive annual compensation of \$40,000 plus superannuation at the statutory guarantee level plus an allowance of \$750.

In addition non-executive directors providing services to the Company outside the scope of the duties as directors receive fees calculated at \$185 per hour.

Directors receive no additional compensation for membership of Board Committees.

Executive Options

Executive options have not been granted in the period ending 30 June 2008. During the year ended 30 June 2008 all of the 7,500,000 Executive Options issued in the prior year lapsed either upon cessation of employment (as in the case of Mr Goh) or because vesting conditions were not achieved prior to the option expiry date of 30 June 2008.

Nominations and Remuneration Committee

The Company has a Nominations and Remuneration Committee the Charter for which includes responsibility for providing to the Board recommendations concerning the quantum and form of remuneration for directors and senior executives.

When reviewing remuneration the Committee will take into account company and executive performance, the scope of responsibilities, comparable information from other listed companies of similar size and scope and, where appropriate, independent advice from third parties.

In addition to salary and allowances, executive and non-executive directors have been granted options by the Board to provide an incentive to join the Board or Company and to achieve the Company's objectives stated at the time of the Company's initial public offering and, as a consequence, to create improved value for shareholders.

Directors' remuneration

The remuneration for each director of the economic entity during the year was as follows:

2008	BASE SALARY & FEES \$	SPECIAL FEES \$	ALLOWANCES \$	SUPER- ANNUATION \$	NON-CASH OPTIONS VALUE \$	TOTAL \$
Executive directors:						
Mr M H Babidge	186,275	–	15,750	16,650	–	218,675
Mr T L C Goh	160,242	–	21,000	14,220	–	195,462
Total	346,517	–	36,750	30,870	–	414,137
Non-executive directors:						
Mr C E Bennett	40,000	–	750	3,600	–	44,350
Mr R N Gillard	50,000	–	15,750	4,500	–	70,250
Mr P R Oates	40,000	8,050	750	3,600	–	52,400
Total	130,000	8,050	17,250	11,700	–	167,000
Total	476,517	8,050	54,000	42,570	–	581,137

The Directors did not receive any share based remuneration during the period ending 30 June 2008. Executive Options (2,500,000) previously granted to Mr Goh lapsed upon cessation of his employment during the year. Executive Options (5,000,000) previously granted to Mr Babidge lapsed on the expiry date of 30 June 2008.

Meetings of directors

During the financial year, 12 meetings of directors were held, with the following attendances:

DIRECTOR	BOARD MEETINGS		AUDIT COMMITTEE MEETINGS		NOMINATIONS AND REMUNERATION COMMITTEE MEETINGS		CORPORATE GOVERNANCE COMMITTEE MEETINGS	
	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED	MEETINGS ELIGIBLE TO ATTEND	MEETINGS ATTENDED
M H Babidge	12	12	–	–	–	–	1	1
C E Bennett	12	11	2	2	–	–	1	1
R N Gillard	12	12	2	1	2	2	1	1
T L C Goh	5	5	–	–	–	–	–	–
P R Oates	12	12	2	1	2	2	1	1

Indemnifying officers and auditors

No indemnities have been given or agreed to be given during or since the end of the financial year, to any person who is or has been an officer or auditor of any company in the Group.

The parent entity has paid premiums with respect to a contract insuring the directors and officers of the Group against liabilities incurred while acting as directors and officers. The insurance contract prohibits the disclosure of the amount of premium paid in respect of the contract. No part of the premium has been included in directors' emoluments.

Shares under option

For details of options issued during the year, see note 13 (ii) in the financial statements.

There are 50,087,996 un-issued ordinary shares for which options are outstanding at the date of this report.

DESCRIPTION	NUMBER
30 cent listed options expiring 30 June 2009	48,637,996
25 cent unlisted options expiring 7 March 2011	1,450,000
Total	50,087,996

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

Shares issued on the exercise of options

During the financial year and up to the date of this Report, Eneabba Gas Limited issued 4 fully paid ordinary shares at an issue price of \$0.30 each upon exercise of options.

Executive shares and options

Directors' interests in shares in the Company at the date of this report

	TOTAL
M H Babidge	5,000,001
C E Bennett	200,000
R N Gillard	2,600,000
P R Oates	50,000

Directors' interests in options over shares in the Company at the date of this report

	TOTAL
M H Babidge	3,750,000
C E Bennett	3,100,000
R N Gillard	5,300,000
P R Oates	500,000

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Risk Committee is satisfied that the provision of non-audit services by the entity's auditor, PKF, during the year is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of those non-audit services disclosed below did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;
- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement APES110: Professional Independence.

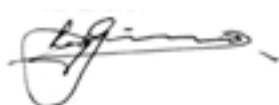
During the year, the following fees were paid or payable to PKF and its related practices for the provision of non audit services:

	\$
Taxation services	21,444
	21,444

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on the next page.

Signed in accordance with a resolution of the Board of Directors.



R N Gillard

Chairman

21 August 2008



M H Babidge

Director

21 August 2008



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of Eneabba Gas Limited and its Controlled Entities for the year ended 30 June 2008 I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Eneabba Gas Limited and the entities it controlled during the year.

A handwritten signature in black ink that reads 'PKF'.

PKF
Chartered Accountants

A handwritten signature in black ink that reads 'Chris Nicoloff'.

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 21st day of August 2008

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financial statements

The background of the page is a solid blue color. Overlaid on this is a complex pattern of thin, white, wavy lines. These lines are arranged in a way that creates a sense of depth and movement, resembling a stylized, abstract landscape or a series of concentric, undulating waves. The lines are most dense in the lower-left corner and become sparser as they move towards the upper-right, where the text is located.

income statements

for year ended 30 June 2008

		CONSOLIDATED		PARENT	
	NOTES	2008 \$	2007 \$	2008 \$	2007 \$
REVENUE FROM OPERATIONS					
Finance revenue		160,833	193,165	160,816	545,819
Sale of gas		1,700,000	–	–	–
Other income		3,916	6,667	–	–
Inter-company income		–	–	1,177,651	671,867
Total revenue from operations		1,864,749	199,832	1,338,467	1,217,686
EXPENSES					
Cost of gas sold		(1,104,933)	–	–	–
Feasibility study asset costs expensed		(212,434)	(555,992)	–	–
Employee benefits		(655,232)	(768,194)	(655,232)	(768,194)
Amortisation and depreciation		(19,658)	(18,486)	(14,169)	(18,121)
Other expenses		(475,209)	(554,430)	(350,407)	(522,462)
Provision for loans to subsidiaries		–	–	–	56,123
Total expenses		(2,467,466)	(1,897,102)	(1,019,808)	(1,252,654)
Profit (loss) before income tax	3	(602,717)	(1,697,270)	318,659	(34,968)
Income tax	4	–	–	–	–
Profit (loss) from operations		(602,717)	(1,697,270)	318,659	(34,968)
Profit (loss) attributable to members of Eneabba Gas Limited		(602,717)	(1,697,270)	318,659	(34,968)

	Cents	Cents
Basic earnings (loss) per share	(0.81)	(2.38)
Diluted earnings (loss) per share	(0.81)	(2.38)

The above income statements should be read in conjunction with the attached notes.

balance sheets

for year ended 30 June 2008

		CONSOLIDATED		PARENT	
	NOTES	2008 \$	2007 \$	2008 \$	2007 \$
ASSETS					
Current assets					
Cash and cash equivalents	5	2,854,752	2,523,475	2,854,073	2,506,177
Receivables		–	15,489	–	7,799
Prepayments		6,939	7,332	6,939	7,332
Total current assets		2,861,691	2,546,296	2,861,012	2,521,308
Non-current assets					
Deposits	6	25,000	50,000	25,000	50,000
Inventories	7	1,464,036	2,568,969	–	–
Receivables	8	–	–	6,874,140	6,956,517
Other financial assets	9	–	–	400	400
Property, plant and equipment	10	1,631,724	1,645,771	31,056	44,267
Exploration and evaluation assets	11	1,108,203	1,165,682	–	–
Prepayments		125,000	50,000	–	–
Total non-current assets		4,353,963	5,480,422	6,930,596	7,051,184
Total assets		7,215,654	8,026,718	9,791,608	9,572,492
LIABILITIES					
Current liabilities					
Payables		34,177	158,523	33,919	50,277
Unearned revenue – lease income	12	517	1,333	–	–
Provisions	13	44,184	58,370	44,184	58,370
Total current liabilities		78,878	218,226	78,103	108,647
Total liabilities		78,878	218,226	78,103	108,647
Net assets		7,136,776	7,808,492	9,713,505	9,463,845
EQUITY					
Contributed equity	14	10,221,327	10,221,326	10,221,327	10,221,326
Option reserve	15	145,400	214,400	145,400	214,400
Accumulated losses	16	(3,229,951)	(2,627,234)	(653,222)	(971,881)
Total equity		7,136,776	7,808,492	9,713,505	9,463,845

The above balance sheets should be read in conjunction with the attached notes.

statements of changes in equity

for year ended 30 June 2008

	ISSUED CAPITAL \$	RESERVES \$	ACCUMULATED LOSSES \$	TOTAL EQUITY \$
CONSOLIDATED				
Shareholders' equity at 30 June 2006	8,796,326	130,900	(929,964)	7,997,262
Option reserve	–	83,500	–	83,500
Gross proceeds from issue of shares	1,500,000	–	–	1,500,000
Less costs of share issue	(75,000)	–	–	(75,000)
Profit (Loss) for the year	–	–	(1,697,270)	(1,697,270)
Shareholders' equity at 30 June 2007	10,221,326	214,400	(2,627,234)	7,808,492
Option reserve	–	(69,000)	–	(69,000)
Gross proceeds from issue of shares	1	–	–	1
Less costs of share issue	–	–	–	–
Profit (Loss) for the year	–	–	(602,717)	(602,717)
Shareholders' equity at 30 June 2008	10,221,327	145,400	(3,229,951)	7,136,776
PARENT				
Shareholders' equity at 30 June 2006	8,796,326	130,900	(936,913)	7,990,313
Option reserve	–	83,500	–	83,500
Gross proceeds from issue of shares	1,500,000	–	–	1,500,000
Less costs of share issue	(75,000)	–	–	(75,000)
Profit (Loss) for the year	–	–	(34,968)	(34,968)
Shareholders' equity at 30 June 2007	10,221,326	214,400	(971,881)	9,463,845
Option reserve	–	(69,000)	–	(69,000)
Gross proceeds from issue of shares	1	–	–	1
Less costs of share issue	–	–	–	–
Profit (Loss) for the year	–	–	318,659	318,659
Shareholders' equity at 30 June 2008	10,221,327	145,400	(653,222)	9,713,505

(Under a selective capital reduction approved by shareholders on 17 July 2006, 35,000,001 ordinary shares were cancelled for no consideration)

The above statements of changes in equity should be read in conjunction with the attached notes.

cash flow statements

for year ended 30 June 2008

		CONSOLIDATED		PARENT	
	NOTES	2008 \$	2007 \$	2008 \$	2007 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Payments to suppliers and employees inclusive of GST		(1,196,126)	(1,166,943)	(1,096,992)	(1,131,643)
Interest received		160,834	193,165	160,816	193,091
Interest paid		–	–	–	–
Other income		3,100	8,000	–	–
Net cash flows from (used in) operating activities	26	(1,032,192)	(965,778)	(936,176)	(938,552)
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from return of deposits		125,000	–	25,000	–
Payments for deposits		–	(50,000)	–	(50,000)
Payments for inventories		–	(2,568,969)	–	–
Proceeds from sale of inventory		1,700,000	–	–	–
Payments for property, plant and equipment		(15,288)	(630,152)	(958)	(39,874)
Proceeds on disposal of property, plant and equipment		–	1,000	–	1,000
Payments for exploration and evaluation activities		(446,244)	(1,261,652)	–	–
Proceeds from loans to controlled entities		–	–	2,010,046	–
Loans to controlled entities		–	–	(750,017)	(4,432,177)
Net cash flows from (used in) investing activities		1,363,468	(4,509,773)	1,284,071	(4,521,051)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of ordinary shares		1	1,500,000	1	1,500,000
Share issue costs		–	(75,000)	–	(75,000)
Net cash flows from financing activities		1	1,425,000	1	1,425,000
Net increase (decrease) in cash for the year					
		331,277	(4,050,551)	347,896	(4,034,603)
Cash at the beginning of the year					
		2,523,475	6,574,026	2,506,177	6,540,780
Cash at the end of the year					
	5	2,854,752	2,523,475	2,854,073	2,506,177

The above cash flow statements should be read in conjunction with the attached notes.

notes to the financial statements

for year ended 30 June 2008

Note 1 – Summary of significant accounting policies

a) Basis of preparation

The financial report complies with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, the *Corporations Act 2001* and International Financial Reporting Standards (IFRS).

The financial statements are prepared on an accruals basis and are based on historical cost and do not take into account changing money values except where stated.

b) Changes to Accounting Standards

The following amendments to standards and interpretations have been identified as those, which may impact the entity in the period of initial application. Any options for early adoption have not been applied in the preparation of this financial report.

New and revised Standards

AASB 101 Presentation of Financial Statements (Revised), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations

The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards however, it is important to note that the AASB has decided that Australian issuers shall make use in financial reports of the descriptions – Statement of Financial Performance and Position and use the term “financial report” and not “financial statement”. The Amending Standard updates references in various other pronouncements.

AASB 101 is effective for annual reporting periods beginning 1 January 2009. AASB 101 is a disclosure standard, so will have no direct impact on amounts in the financial report. However, amendments will result in changes in disclosures.

AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12.

This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The transitional provision provided allows for prospective application of this revision from either application date or adoption date if prior to 1 January 2009. The Amending Standard eliminates reference to the expensing option in various other pronouncements.

AASB 123 is effective for annual reporting periods beginning 1 January 2009. Unless the Group becomes involved in qualifying assets in future periods, amendments are not expected to have any impact on the financial report.

AASB 3 Business Combinations (Revised)

The revision makes several key amendments to the accounting for business combinations. Entities may want to early adopt the revised standard.

AASB 3 is effective for annual reporting periods beginning 1 January 2009. Unless the Group becomes involved in acquiring another business in future periods, amendments are not expected to have any impact on the financial report.

New Interpretations

Interpretation 12 Service Concession Arrangements, Interpretation 4 Determining whether an Arrangement contains a lease (Revised), Interpretation 129 Service Concession Arrangements: Disclosure (Revised), AASB 2007-2 Amendments to Australian Standards arising from AASB Interpretation 12.

Addresses the appropriate accounting for service concession arrangements under which private sector entities participate in the development, financing, operation and maintenance of infrastructure for the provision of public services, such as transport, water and energy facilities.

These interpretations are effective for annual reporting periods beginning 1 January 2008.

Interpretation 13 Customer Loyalty Programmes

Concludes that an entity shall account for award credits as a separately identifiable component of the sales transaction(s) in which they are granted (the ‘initial sale’). The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale.

Interpretation 13 is effective for annual reporting periods beginning 1 July 2008. Unless the Group becomes involved in a customer loyalty programme in future periods, amendments are not expected to have any impact on the financial report.

Interpretation 14 AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

Concludes that an entity shall determine the availability of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and any statutory requirements in the jurisdiction of the plan.

Interpretation 14 is effective for annual reporting periods beginning 1 January 2008. Unless the Group becomes involved in a defined benefit plan in future periods, amendments are not expected to have any impact on the financial report.

c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous year.

d) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

notes to the financial statements

for year ended 30 June 2008

e) Basis of consolidation

The consolidated financial statements comprise the financial statements of Eneabba Gas Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company 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 Eneabba Gas has control.

f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Plant and equipment

Plant and equipment is measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows are not discounted to present values in determining the recoverable amount.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a reducing balance basis over their estimated useful lives to the economic entity commencing from the time the

asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates applied are: Furniture and fittings 7.5% to 37.5%.

g) Cash and cash equivalents

Cash on hand, at banks and in short-term deposits is stated at the lower of cost and net realisable value.

For the purposes of the Cash Flow Statements, cash includes deposits at call with financial institutions and other highly liquid investments with maturity within less than three months which are readily convertible to cash on hand and cash at bank.

h) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amount of goods and services tax (GST).

Sale of gas

Revenue from the sale of gas is in regard to a one-off, off-market commercial sale of gas to a singular customer. The Company is not a gas trader.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred, when delivery has been made and title passed, when the amount of the revenue and the related costs can be reliably measured.

i) Income tax

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences. However, the Group has not recognised future income tax benefits pending the commencement of commercial operations. To the extent they are offset by unrecognised future income tax benefits, as to the timing and amount, deferred tax liabilities are not recorded.

j) Recoverable amount of non-current assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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.

k) Inventories

Inventories comprise supplies of gas not for resale held in storage by a third party for the purpose of the commissioning the proposed Centauri 1 Power Station and are valued at the lower of cost and net realisable value. Costs include transport.

notes to the financial statements

for year ended 30 June 2008

l) Exploration expenditure

Provided the right to tenure is held exploration expenditure for each area of interest is carried forward as an asset provided that one of the following conditions is met:

- Such costs are expected to be recouped through successful development and exploration of the area of interest or, alternatively, by its sale; or
- Exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

Evaluation expenditure of each area of interest is carried forward, but only to the extent to which recoupment out of revenue to be derived from the relevant area of interest, or from the sale of the area of interest, is reasonably assured.

m) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

n) 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 are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; 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.

o) Share based payments

The Group provides 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').

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 a binomial model.

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 (see note 24).

notes to the financial statements

for year ended 30 June 2008

Note 2 - Segment reporting

The economic entity conducts operations in two primary segments, electricity generation and mineral exploration, and one geographic segment, Australia.

2008	ELECTRICITY GENERATION \$	MINERAL EXPLORATION \$	UNALLOCATED \$	CONSOLIDATED \$
SEGMENT INCOME				
Sale of gas	1,700,000	–	–	1,700,000
Interest received	18	–	160,815	160,833
Other income	–	–	3,916	3,916
Total income	1,700,018	–	164,731	1,864,749
SEGMENT EXPENSES				
Net other costs	–	–	(1,130,441)	(1,130,441)
Cost of gas sold	(1,104,933)	–	–	(1,104,933)
Feasibility study costs	(212,434)	–	–	(212,434)
Profit (loss) before amortisation and depreciation	382,651	–	(965,710)	(583,059)
Amortisation and depreciation	(5,489)	–	(14,169)	(19,658)
Profit (Loss) before income tax benefits	377,162	–	(979,879)	(602,717)
SEGMENT ASSETS AND LIABILITIES				
Gas inventory assets	1,464,036	–	–	1,464,036
Other assets	1,725,667	1,108,203	2,917,748	5,751,618
Liabilities	(280)	–	(78,598)	(78,878)
Net assets	3,189,423	1,108,203	2,839,150	7,136,776
SEGMENT CASHFLOWS				
Operating	–	–	(1,032,192)	(1,032,192)
Investing	(291,098)	(55,146)	1,709,712	1,363,468
Financing	–	–	1	1
Net cash movement	(291,098)	(55,146)	677,521	331,277

notes to the financial statements

for year ended 30 June 2008

Note 2 - Segment reporting (continued)

2007	ELECTRICITY GENERATION \$	MINERAL EXPLORATION \$	UNALLOCATED \$	CONSOLIDATED \$
SEGMENT INCOME				
Interest received	74	-	193,091	193,165
Total income	74	-	193,091	193,165
SEGMENT EXPENSES				
Net other costs	-	-	1,122,792	1,122,792
Feasibility study assets written off	555,992	-	-	555,992
Loss before amortisation and depreciation	555,992	-	1,122,792	1,678,784
Amortisation and depreciation	365	-	18,121	18,486
Loss before income tax benefits	556,357	-	1,140,913	1,697,270
SEGMENT ASSETS AND LIABILITIES				
Gas inventory assets	2,568,969	-	-	2,568,969
Other assets	1,651,504	1,165,682	2,640,563	5,457,749
Liabilities	(15,647)	(90,731)	(111,848)	(218,226)
Net assets	4,204,826	1,074,951	2,528,715	7,808,492
SEGMENT CASHFLOWS				
Operating	-	-	(965,778)	(965,778)
Investing	(3,524,670)	(896,230)	(88,873)	(4,509,773)
Financing	-	-	1,425,000	1,425,000
Net cash movement	(3,524,670)	(896,230)	370,349	(4,050,551)

notes to the financial statements

for year ended 30 June 2008

Note 3 - Profit (loss) before income tax

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Profit (Loss) before income tax is after crediting (charging) the following items				
Finance revenue – banks	160,816	193,165	160,833	193,091
Sale of gas	1,700,000	–	–	–
Cost of gas sold	(1,104,933)	–	–	–
Lease revenue – pastoral	3,916	6,667	–	–
Depreciation of plant and equipment	(14,169)	(18,486)	(19,658)	(18,121)
Legal costs	(100,284)	(81,420)	(15,097)	(76,298)
Wages & salaries	(726,765)	(641,674)	(726,765)	(641,674)
Feasibility study asset costs written off	(212,434)	(555,992)	–	–
Employee entitlements:				
Provision for employee entitlements	14,186	(43,020)	14,186	(43,020)
Share based payments – Executive Options	(36,500)	(83,500)	(36,500)	(83,500)
Share based payments – Executive Options not vesting	120,000	–	120,000	–
Share based payments – Employee Options	(14,500)	–	(14,500)	–
Provision for loans to subsidiaries	–	–	–	56,123

Note 4 - Income tax

Major components of income tax expense for the years ended 30 June 2008 and 2007 are:

INCOME STATEMENT				
Current income				
Current income tax charge	–	–	–	–
Adjustments in respect of previous current income tax	–	–	–	–
Deferred income tax				
Relating to origination and reversal of temporary differences	–	–	–	–
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	–	–	–	–
Income tax expense (benefit) reported in income statement	–	–	–	–

notes to the financial statements

for year ended 30 June 2008

Note 4 - Income tax (continued)

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2008 and 2007 is as follows:

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Accounting profit (loss) before tax from continuing operations	(602,717)	(1,697,270)	318,659	(34,968)
Loss before tax from discontinued operations	–	–	–	–
Accounting profit (loss) before income tax	(602,717)	(1,697,270)	318,659	(34,968)
Tax at the statutory rate of 30% (2007: 30%):	(180,814)	(509,181)	95,596	(10,490)
Non-deductible expenses	27,665	25,050	–	25,050
Tax loss and temporary differences not brought to account as deferred tax assets	262,863	383,023	237,449	(115,668)
Less:				
Non-assessable income	–	–	(333,045)	–
Tax losses utilized which were not previously brought to account as a deferred tax asset	(109,714)	101,108	–	101,108
Tax at the effective rate of 0% (Parent 0%)(2007: 0%, Parent 0%)	–	–	–	–
Income tax expense reported in income statement	–	–	–	–

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		LIABILITIES		NET	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Exploration and evaluation assets	–	–	364,653	347,543	364,653	347,543
Accruals	–	(7,688)	–	–	–	(7,688)
Employee entitlements	–	(17,511)	–	–	–	(17,511)
Unearned income	–	(400)	–	–	–	(400)
Capital raising	–	(1,066)	–	–	–	(1,066)
Exploration costs	–	–	–	–	–	347,543
Tax losses	(364,653)	(320,878)	–	–	(364,653)	(320,878)
Tax (assets) liabilities	(364,653)	(347,543)	364,653	347,543	–	–
Set off of tax	364,653	347,543	(364,653)	(347,543)	–	–
Net tax (assets) liabilities	–	–	–	–	–	–

notes to the financial statements

for year ended 30 June 2008

Note 4 - Income tax (continued)

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR	BALANCE 1 JULY 2007	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 30 JUNE 2008
Exploration and evaluation assets	347,543	17,110	–	364,653
Accruals	(7,688)	7,688	–	–
Employee entitlements	(17,511)	17,511	–	–
Unearned income	(400)	400	–	–
Capital raising	(1,066)	1,066	–	–
Tax losses	(320,878)	(43,775)	–	(364,653)
	–	–	–	–

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR	BALANCE 1 JULY 2006	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 30 JUNE 2007
Exploration and evaluation assets	122,210	225,333	–	347,543
Accruals	–	(7,688)	–	(7,688)
Employee entitlements	(4,605)	(12,906)	–	(17,511)
Unearned income	–	(400)	–	(400)
Capital raising	(117,605)	116,539	–	(1,066)
Tax losses	–	(320,878)	–	(320,878)
	–	–	–	–

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the following:

	ASSETS		PARENT LIABILITIES		NET	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$
Accruals	–	–	–	–	–	–
Employee entitlements	–	–	–	–	–	–
Capital raising	–	–	–	–	–	–
Prov. Non-recovery	–	–	–	–	–	–
Exploration costs	–	–	–	–	–	–
Tax losses	–	–	–	–	–	–
Tax (assets) liabilities	–	–	–	–	–	–
Set off of tax	–	–	–	–	–	–
Net tax (assets) liabilities	–	–	–	–	–	–

notes to the financial statements

for year ended 30 June 2008

Note 4 - Income tax (continued)

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR	BALANCE 1 JULY 2006	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 30 JUNE 2007
Exploration and evaluation assets	122,210	(122,210)	–	–
Employee entitlements	(4,605)	4,605	–	–
Capital raising	(117,605)	117,605	–	–
	–	–	–	–

MOVEMENTS IN TEMPORARY DIFFERENCES DURING THE YEAR	BALANCE 1 JULY 2007	RECOGNISED IN INCOME	RECOGNISED IN EQUITY	BALANCE 30 JUNE 2008
Exploration and evaluation assets	–	–	–	–
Tax losses	–	–	–	–
	–	–	–	–

UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets have not been recognised in respect of the following items

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Accruals	8,756	–	8,601	7,688
Capital raising costs	86,593	123,876	84,238	124,106
Employee entitlements	13,255	–	13,255	17,511
Tax losses	968,241	864,017	497,725	94,820
	1,076,846	987,893	603,818	244,125

The tax losses do not expire under current tax legislation and have been disclosed on a tax effected basis.

Deferred tax assets have not been recognised in respect of these items because, pending commercial operations, it is not yet probable that future taxable profit will be available against which the Company can utilise these benefits.

Note 5 - Cash and cash equivalents

Term deposit	2,100,000	–	2,100,000	–
Cash at bank	754,552	2,523,275	753,873	2,505,977
Cash on hand	200	200	200	200
Total cash and cash equivalents	2,854,752	2,523,475	2,854,073	2,506,177

Cash on hand, at banks and in short-term deposits is stated at the lower of cost and net realisable value.

For the purposes of the Cash Flow Statements, cash includes deposits at call with financial institutions and other highly liquid investments with maturity within less than three months which are readily convertible to cash on hand and cash at bank.

Note 6 - Deposits

An amount of \$25,000 is held as a deposit as collateral for the provision of credit card facilities used by employees of the consolidated entity in the course of their employment. This amount is not included in note 5, Cash and cash equivalents.

notes to the financial statements

for year ended 30 June 2008

Note 7 - Inventories

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Inventories	1,464,036	2,568,289	–	–

Inventories comprise supplies of gas not for resale held in storage by a third party for the purpose of the commissioning the proposed Centauri 1 Power Station and are valued at the lower of cost and net realisable value. Costs include transport.

Note 8 - Receivables

Loans to controlled entities	–	–	6,874,140	6,956,517
Total	–	–	6,874,140	6,956,517

Note 9 - Other financial assets

Shares in controlled entities – unlisted at cost	–	–	400	400
Total	–	–	400	400

Note 10 - Property, plant and equipment

Freehold land at cost	1,569,563	1,564,910	–	–
Fencing and fire mitigation at cost	36,959	36,959	–	–
Less accumulated depreciation	(5,854)	(365)	–	–
Furniture and fittings at cost	71,084	70,126	71,084	70,126
Less accumulated depreciation	(40,028)	(25,859)	(40,028)	(25,859)
Total	1,631,724	1,645,771	31,056	44,267

(A) RECONCILIATIONS

Reconciliations of the carrying amounts for each class of property, plant and equipment are as follows:

FREEHOLD LAND

Carrying amount at beginning of year	1,564,910	1,001,912	–	–
Additions	4,653	562,998	–	–
Carrying amount at end of year	1,569,563	1,564,910	–	–

notes to the financial statements

for year ended 30 June 2008

Note 10 - Property, plant and equipment (continued)

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
FENCING AND FIRE MITIGATION				
Carrying amount at beginning of year	36,594	–	–	–
Additions	–	36,959	–	–
Depreciation expense	(5,489)	(365)	–	–
Carrying amount at end of year	31,105	36,594	–	–
FURNITURE AND FITTINGS				
Carrying amount at beginning of year	44,267	24,526	44,267	24,526
Additions	958	39,874	958	39,874
Disposals	–	(2,012)	–	(2,012)
Depreciation expense	(14,169)	(18,121)	(14,169)	(18,121)
Carrying amount at end of year	31,056	44,267	31,056	44,267

Note 11 - Exploration and evaluation assets

Exploration and evaluation expenditure at cost	1,108,203	1,165,682	–	–
Total	1,108,203	1,165,682	–	–

(a) RECONCILIATIONS

Exploration and evaluation expenditure

Carrying amount at beginning of year	1,165,682	170,716	–	170,716
Transfer from Intangible assets	–	14,055	–	–
Transfer to Eneabba Mining Pty Ltd	–	–	–	(170,716)
Additions	–	980,911	–	–
Impairment	(57,479)	–	–	–
Amortisation	–	–	–	–
Carrying amount at end of year	1,108,203	1,165,682	–	–

Note 12 - Unearned revenue

Lease income	517	1,333	–	–
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notes to the financial statements

for year ended 30 June 2008

Note 13 - Provisions

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Provision for employee entitlements	44,184	58,370	44,184	58,370

(a) RECONCILIATIONS

Provision for employee entitlements

Carrying amount at beginning of year	58,370	15,350	58,370	15,350
Additions	8,466	43,020	8,466	43,020
Reductions	(22,652)	–	(22,652)	–
Carrying amount at end of year	44,184	58,370	44,184	58,370

Note 14 - Contributed equity

	PARENT		PARENT	
	2008 No.	2008 \$	2007 No.	2007 \$
(i) Issued capital				
Ordinary shares each fully paid				
Balance at beginning of year	74,576,003	10,221,326	104,576,004	8,796,326
Shares issued during the year				
– Private placement	–	–	5,000,000	1,500,000
– Share cancellation	–	–	(35,000,001)	–
– Share issue	4	1	–	–
– transaction costs of equity raising	–	–	–	(75,000)
Balance at end of year	74,576,007	10,221,327	74,576,003	10,221,326

Effective 1 July 1998, the Corporations Legislation abolished the concepts of authorised capital and par value shares. Accordingly the Company does not have authorised capital nor par value in respect of its issued capital.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

notes to the financial statements

for year ended 30 June 2008

Note 14 - Contributed equity (continued)

	STRIKE PRICE \$	2008 \$	2007 \$
(ii) Share options			
Options on issue at start of year	0.30	56,138,000	72,888,000
OPTIONS ISSUED DURING THE YEAR			
Date of issue			
02 August 2006	0.00001	–	7,500,000
20 June 2007	0.30	–	2,000,000
7 March 2008	0.25	1,450,000	–
OPTIONS CANCELLED DURING THE YEAR			
Date of cancellation			
17 July 2006	0.30	–	(26,250,000)
9 Nov 2007	0.00001	(2,500,000)	–
30 June 2008	0.00001	(5,000,000)	–
OPTIONS EXERCISED DURING THE YEAR			
Date of exercise			
30 June 2008	0.30	(4)	–
Options on issue at end of year		50,087,996	56,138,000

Note 15 - Option reserve

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Balance at start of year	214,400	130,900	214,400	130,900
Additions	51,000	83,500	51,000	83,500
Reductions	(120,000)	–	(120,000)	–
Balance at end of year	145,400	214,400	145,400	214,400

The option reserve records the cost of share based payments.

Note 16 - Accumulated losses

Balance at start of year	(2,627,234)	(929,964)	(971,881)	(936,913)
Loss from operations	(602,717)	(1,697,270)	318,659	(34,968)
Balance at end of year	(3,229,951)	(2,627,234)	(653,222)	(971,881)

notes to the financial statements

for year ended 30 June 2008

Note 17 - Share based payments

At balance date, the Company had on issue 9,300,000 non-transferable options issued in connection with share based payments (2007: 15,350,000).

	2008 No.	2008 WAEP \$	2007 No.	2007 WAEP \$
Outstanding at the beginning of the year	15,350,000	0.15	7,850,000	0.30
Granted during the year	1,450,000	0.25	7,500,000	0.00001
Forfeited during the year	—	—	—	—
Exercised during the year	—	—	—	—
Lapsed during the year	(7,500,000)	0.00001	—	—
Outstanding at the end of the year	9,300,000	0.29	15,350,000	0.15

(WAEP: Weighted Average Exercise Price)

During the year, 1,450,000 options were issued to employees, will vest in March 2009, have a strike price of 25 cents, and expire on 7 March 2011.

In the year ending 30 June 2006, 7,850,000 options were issued, have now vested, have a strike price of 30 cents and expire on 30 June 2009.

Note 18 - Financial risk management

The Group is not exposed to any material financial risk. To ensure a prudent approach to risk management the Group's exposure to the following key risks have been assessed where applicable; market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group has used a sensitivity analysis to determine the Group's exposure to interest rate risk.

Risk management is carried out by the Audit and Risk Committee under policies approved by the Board of Directors. The Board provides written principles for overall risk management.

(a) Market risk

i) Foreign exchange risk

The Group is not currently exposed to foreign exchange risk as all financial transactions are currently in Australian dollars.

ii) Price risk

The Group is not currently exposed to price risk as it does not hold investments which are classified on the balance sheet either as available-for-sale or at fair value through profit and loss.

iii) Cash flow and fair value interest rate risk

The Group has no significant cash flow and fair value interest rate risks as it does not have interest bearing financial liabilities.

The Group has a fixed interest term deposit facility with a secure banking institution to maximize its interest income from surplus cash. The Group holds working capital in transaction accounts at variable interest rates. If the interest rates had increased or decreased by 100 basis points (100 bps) from the year-end rates with all other variables held constant, post-tax profit for the year would have been \$24,000 higher or lower (2007: \$25,000 higher or lower); these changes to profit would have been reflected in equity.

iv) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk. The Group is not currently exposed to either foreign exchange risk or price risk; therefore the sensitivity analysis for these risks has not been included.

notes to the financial statements

for year ended 30 June 2008

Note 18 - Financial risk management (continued)

2008

	CARRYING AMOUNT (\$'000)	INTEREST RATE RISK			
		-100 bps		+100 bps	
		PROFIT (\$'000)	EQUITY (\$'000)	PROFIT (\$'000)	EQUITY (\$'000)
FINANCIAL ASSETS					
Cash and cash equivalents	2,880	(24)	(24)	24	24
Total increase / (decrease)		(24)	(24)	24	24

2007

	CARRYING AMOUNT (\$'000)	INTEREST RATE RISK			
		-100 bps		+100 bps	
		PROFIT (\$'000)	EQUITY (\$'000)	PROFIT (\$'000)	EQUITY (\$'000)
FINANCIAL ASSETS					
Cash and cash equivalents	2,523	(25)	(25)	25	25
Total increase / (decrease)		(25)	(25)	25	25

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks. The Group does not have any significant derivative financial instruments nor does it have significant credit exposure to retail or wholesale customers.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group currently has no committed lines of credit. The Group does not have any significant financial liabilities nor has it entered into any significant derivative financial instruments. Management monitors rolling forecasts of the Group's liquidity reserves on the basis of expected cash flow.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. There were no impaired trade receivables for the Group or parent in 2008 or 2007. The fair value of financial liabilities for disclosure purposes is not discounted

Note 19 - Financial instruments

The economic entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date was as follows:

	FLOATING INTEREST RATES		NON-INTEREST BEARING		TOTAL		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 %	2007 %
FINANCIAL ASSETS								
Cash	2,879,353	2,573,075	400	400	2,879,753	2,573,475	7.32	5.82
Receivables	—	—	—	15,489	—	15,489	—	—
Payables	—	—	(34,177)	(158,523)	(34,177)	(158,523)	—	—
Total	2,879,353	2,573,075	(33,777)	(142,634)	2,845,576	2,430,441		

notes to the financial statements

for year ended 30 June 2008

Note 19 - Financial instruments (continued)

The parent entity's exposure to interest rate risks and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at balance date was as follows:

	FLOATING INTEREST RATES		NON-INTEREST BEARING		TOTAL		WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	
	2008 \$	2007 \$	2008 \$	2007 \$	2008 \$	2007 \$	2008 %	2007 %
FINANCIAL ASSETS								
Cash	2,879,353	2,573,075	400	400	2,879,753	2,573,475	7.32	5.82
Receivables	–	–	–	15,489	–	15,489	–	–
Payables	–	–	(34,177)	(158,523)	(34,177)	(158,523)	–	–
Total	2,879,353	2,573,075	(33,777)	(142,634)	2,845,576	2,430,441		

The following methods and assumptions are used to determine the net fair values of financial assets and financial liabilities; cash deposits bear interest at normal commercial rates.

Receivables and payables: The carrying amounts are approximately equal to fair value because of the short term to maturity. An ageing of debtors has not been performed due to the short term nature and immaterial balance.

Note 20 - Commitments

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
(a) Operating lease commitments				
Expenditure contracted for but not provided at balance date and payable:				
Not later than one year	136,985	72,185	136,985	72,185
Later than one year but not later than five years	11,415	72,185	11,415	72,185
Later than five years	–	–	–	–
Total	148,401	144,370	148,401	144,370

(b) Exploration commitments

The required minimum expenditure within 12 months for the Eneabba Group's mineral tenements is \$496,000, which amount is expected to be expended through proposed drilling programmes and also work already carried out by or on behalf of the Group.

Future required minimum exploration expenditures in excess of 12 months but less than 5 years and in excess of 5 years cannot be reliably measured and hence is not stated due to the uncertainty of occurrence or otherwise of future events. Some of these events include; (and are not limited to) the voluntary surrender of tenement title, the deferral of expenditure, the sale of tenements, joint venture and farm-in arrangements.

notes to the financial statements

for year ended 30 June 2008

Note 21 - Auditor's remuneration

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
During the year the auditor of the parent entity and its related practices earned the following remuneration.				
Audit or review of Group entities	40,000	39,184	40,000	39,184
Taxation services	21,444	24,105	19,376	18,605
GST grouping advice	–	10,092	–	10,092
Corporate structure discussions	–	10,737	–	10,737
Total	61,444	84,118	59,376	78,618

Note 22 - Director and executive information

(a) Details of specified directors

R N Gillard – Chairman (non-executive)

M H Babidge – Chief Executive Officer and Managing Director (executive)

C E Bennett – (non-executive)

P R Oates – (non-executive)

T L C Goh – (executive) (resigned 9 November 2007)

(b) Remuneration policy for specified directors

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Chief Executive Officer, the executive team and external directors. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum shareholder benefit from the retention of a high quality board and executive team.

To assist in achieving these directives the Nomination and Remuneration Committee has sought shareholder approval to provide compensation to non-executive directors as an incentive to join the board and to executives in the form of share options, which are convertible to shares given the achievement of pre-specified objectives. Details of options provided to directors during the year are shown later in this note.

(c) Executive directors

The current remuneration arrangements for the executive director include the following salary and superannuation compensation:

M H Babidge Salary \$190,000 plus 9% superannuation per annum

Mr Babidge has a contract of employment.

He is entitled to 20 days annual leave and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. He may elect to terminate the agreed arrangements by the giving of three (3) months notice.

In the case of the Company terminating employment of redundancy, or where the employment is terminated within 4 months following a "change of control" as defined in section 50AA of the *Corporations Act 2001* executives nominated will be entitled to receive a redundancy termination payment, which will be not less than 24 months "Base Salary Package" referred to above applying at the time of termination, but not ever being less than the Base Salary Package at any time.

The letter of appointment provides that remuneration will be reviewed in September each year based on performance and the scope of position responsibilities.

(d) Non-executive directors

Shareholders have approved a total limit of \$200,000 for non-executive director compensation, which has been partially allocated as follows:

Chairman \$50,000 plus 9% superannuation per annum

Other directors \$40,000 plus 9% superannuation per annum

No additional remuneration is payable as compensation for membership of Board Committees. Additional fees are payable to directors providing services to the Company other than within the scope of the normal duties of non-executive directors including, for example, the provision of detailed accounting and financial advice including discussions and negotiations with third parties.

Remuneration includes amounts payable to director controlled entities for services provided by directors.

notes to the financial statements

for year ended 30 June 2008

Note 22 - Director and executive information (continued)

(e) Equity compensation

The value of equity compensation has been determined using the Black and Scholes option valuation model to assess an approximate intrinsic value of options issued to directors during the relevant years.

The values assigned to options are as follows:

Options issued prior to listing at – \$0.0082

Options issued subsequent to listing at – market value

(f) Remuneration details

	BASE REMUNERATION \$	SPECIAL FEES (a) \$	ALLOWANCES \$	SUPER- ANNUATION \$	OPTIONS \$	TOTAL \$
M H Babidge	186,275	–	15,750	16,650	–	218,675
C E Bennett	40,000	–	750	3,600	–	44,350
R N Gillard	50,000	–	15,750	4,500	–	70,250
P R Oates	40,000	8,050	750	3,600	–	52,400
T L C Goh	160,242	–	21,000	14,220	–	195,462
Total	476,517	8,050	54,000	42,570	–	581,137

(a) Special fees are paid for services provided of external directors outside the scope of their normal responsibilities as directors of the Company. No fees are paid to directors for membership of Board Committees.

(g) Other matters

No part of this remuneration was performance based except for Messrs Babidge and Goh.

(h) Shareholdings

The numbers of shares in the Company held during the financial year by directors, including shares held by entities they control, are set out below:

	BALANCE AT 1 JULY 2007	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	OTHER MOVEMENTS	BALANCE AT 30 JUNE 2008
Parent entity directors					
M H Babidge	5,000,001	–	–	–	5,000,001
C E Bennett	200,000	–	–	–	200,000
R N Gillard	2,600,000	–	–	–	2,600,000
P R Oates	50,000	–	–	–	50,000
T L C Goh	5,000,001	–	–	–	N/A

T L C Goh ceased as a director on 9 November 2007.

(i) Option holdings

The number of listed and unlisted options in the Company held during the financial year by directors, including shares held by entities they control, are set out below.

	BALANCE AT 1 JULY 2007	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	OTHER MOVEMENTS	BALANCE AT 30 JUNE 2008	VESTED AND EXERCISABLE AT YEAR END
Parent entity directors						
M H Babidge	8,750,000	–	–	(5,000,000)	3,750,000	3,750,000
C E Bennett	3,100,000	–	–	–	3,100,000	3,100,000
R N Gillard	5,300,000	–	–	–	5,300,000	5,300,000
P R Oates	500,000	–	–	–	500,000	500,000
T L C Goh	6,250,000	–	–	(2,500,000)	N/A	N/A

T L C Goh ceased as a director on 9 November 2007.

notes to the financial statements

for year ended 30 June 2008

Note 23 - Related party transactions

Controlled Entities

Investments in controlled entities comprise:

NAME	PRINCIPAL ACTIVITIES	BENEFICIAL PERCENTAGE HELD BY ECONOMIC ENTITY	
		2008 %	2007 %
Eneabba Gas Limited	Chief entity		
WHOLLY OWNED CONTROLLED ENTITIES:			
Eneabba Energy Pty Ltd	Power generation	100	100
Eneabba Mining Pty Ltd	Mineral exploration	100	100
Eneabba Holdings Pty Ltd	Investments & asset management	100	100
Eneabba Power Pty Ltd	Operations & infrastructure	100	100

All controlled entities are incorporated in Australia.

LOANS TO CONTROLLED ENTITIES

At balance date the parent entity had provided unsecured loans to its controlled entities as follows:

	\$
Eneabba Energy Pty Ltd	5,144,224
Eneabba Mining Pty Ltd	1,560,102
Eneabba Holdings Pty Ltd	150,770
Eneabba Power Pty Ltd	19,043

The loans are for an indefinite term and carry interest at 150 basis points above the Reserve Bank of Australia Cash Rate Target at the end of each quarter with interest compounding quarterly.

OTHER TRANSACTIONS

The Company has paid fees of \$45,000 to Corporate Consultants Pty Ltd, a company in which the Company Secretary Mr S M Shah has substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

ACCOUNTING AND SECRETARIAL SERVICES

The parent entity provides accounting and secretarial services to its controlled entities without charge.

Note 24 - Earnings per share

	CONSOLIDATED	
	2008 CENTS	2007 CENTS
Basic earnings (loss) per share	(0.81)	(2.38)
Diluted earnings (loss) per share	(0.81)	(2.38)
	NUMBER	NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	74,576,003	71,247,236
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	74,576,003	71,247,236

notes to the financial statements

for year ended 30 June 2008

Note 25 - Subsequent events

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

Note 26 - Reconciliation of loss from operations to net cash flows used in operations

	CONSOLIDATED		PARENT	
	2008 \$	2007 \$	2008 \$	2007 \$
Profit (loss) from operations	(602,717)	(1,697,270)	318,658	(34,968)
Adjustments for:				
Sale of gas	(1,700,000)	—	—	—
Depreciation	19,658	18,486	14,169	18,121
Inter-company charges	—	—	(1,177,651)	(1,024,594)
Net loss on disposal of property, plant and equipment	—	1,012	—	1,011
Share option expense	(69,000)	83,500	(69,000)	83,500
Feasibility study asset costs expensed	212,434	555,992	—	—
Exploration assets expensed	36,161	—	—	—
CHANGES IN ASSETS AND LIABILITIES:				
(Increase) / Decrease in inventories	1,104,933	—	—	—
Increase in provision for loans to controlled entities	—	—	—	(56,123)
Increase in trade and other receivables	2,201	(369)	—	6,018
Increase in prepayments	(6,940)	3,238	(6,939)	3,238
Increase in trade and other payables	(13,920)	23,280	(1,227)	20,224
Increase in deposits	-	2,000	-	2,000
Increase in provision for employee benefits	(14,186)	43,020	(14,186)	43,020
Increase in provision for unearned income	(816)	1,333	-	-
Net cash flows used in operations	(1,032,192)	(965,778)	(936,176)	(938,552)

Note 27 - Contingent liabilities

The Group is not aware of any material contingent liability at the date of this report.

directors' declaration

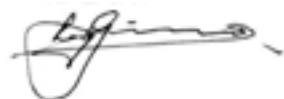
In accordance with a resolution of the directors of Eneabba Gas Limited we state that:

In the opinion of the directors:

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (iii) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2008.

On behalf of the Board



R N Gillard
Chairman

21 August 2008



M H Babidge
Managing Director

21 August 2008



Chartered Accountants
& Business Advisers

INDEPENDENT AUDIT REPORT

TO MEMBERS OF ENEABBA GAS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Eneabba Gas Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Eneabba Gas Limited and of 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 in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with Australian Equivalents to International Financial Reporting Standards ensures 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.

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

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independent audit report



Chartered Accountants
& Business Advisers

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 Eneabba Gas Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the entity's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the consolidated and parent financial report also complies with International Financial Reporting Standards as disclosed in Note 1a.

A large, stylized handwritten signature of the PKF firm, written in black ink.

PKF
Chartered Accountants

A handwritten signature of Chris Nicoloff, written in black ink.

Chris Nicoloff
Partner

Dated at Perth, Western Australia this 21st day of August 2008

additional shareholder information

The shareholder information set out below was applicable as at 29 August 2008

Substantial shareholders

Holdings of substantial shareholders as advised to the Company are set out below.

NAME OF INTEREST HOLDER	NUMBER OF ORDINARY SHARES
Koo Sing Kuang	10,440,000
Mark Hansford Babidge	5,000,001
Thomas Lik Cheng Goh	5,000,001

Distribution of holders of equity securities

SIZE OF HOLDING	ORDINARY SHARES	OPTIONS
1 to 1,000	3	1
1,001 to 5,000	89	146
5,001 to 10,000	194	93
10,001 to 100,000	383	187
100,001 and over	66	49
	735	476

The number of shareholdings comprising less than a marketable parcel was 98.

additional shareholder information (continued)

The shareholder information set out below was applicable as at 29 August 2008

Voting Rights

The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a Member shall have one vote on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

TWENTY LARGEST SHAREHOLDERS	NUMBER OF SHARES	% HELD
Koo Sing & Lai Wah Kuang	9,473,851	12.70
Mark Hansford Babidge	5,000,001	6.70
Thomas Lik Cheng Goh	5,000,001	6.70
DBS Vickers Securities (Singapore) Pte Ltd	4,641,130	6.22
John Milton Saunders	4,000,001	5.36
Kar Chan Wan & Yin Wan	2,800,000	3.75
Clara Lin-K'un Lee	2,000,000	2.68
Amalgamation Sale and Takeover Consultants Pty Ltd	1,600,000	2.15
Eng Sun Lim	1,529,648	2.05
Owen William Nugent & Margaret Nugent	1,500,000	2.01
Fui Howe Lee	1,400,000	1.88
Michael & Jennie Kwek	1,400,000	1.88
Augustine Chew Teck Teo	1,300,000	1.74
Ecsel Pty Ltd	1,248,400	1.67
John Milton Saunders	1,000,000	1.34
Reginald Norman Gillard	1,000,000	1.34
Michelle Lourdes Soares	1,000,000	1.34
Chieh Fei Wu	1,000,000	1.34
Lai Heng Mok	550,000	0.74
Cumbak Pty Ltd	500,000	0.67
	47,943,032	64.26

additional shareholder information (continued)

The shareholder information set out below was applicable as at 29 August 2008

TWENTY LARGEST OPTIONHOLDERS		
Options exercisable at 30 cents expiring 30 June 2009	NUMBER OF OPTIONS	% HELD
Koo Sing & Lai Wah Kuang	4,620,000	9.50
Reginald Norman Gillard	4,500,000	9.25
Mark Hansford Babidge	3,750,000	7.71
John Milton Saunders	3,750,000	7.71
Thomas Lik Cheng Goh	3,750,000	7.71
Ben Super Pty Ltd	3,100,000	6.37
DBS Vickers Securities (Singapore) Pte Ltd	2,255,000	4.64
Kar Chan Wan	1,000,000	2.06
Clara Lin-K'un Lee	1,000,000	2.06
Balcatta Boys Pty Ltd	800,000	1.64
Eng Sun Lim	750,000	1.54
Ecsel Pty Ltd	750,000	1.54
Fui Howe Lee	700,000	1.44
Augustine Chew Teck Teo	650,000	1.34
Michelle Lourdes Soares	500,000	1.03
Erriate Pty Ltd	500,000	1.03
Peter Raymond Oates	500,000	1.03
Michael & Jennie Kwek	500,000	1.03
Chieh Fei Wu	500,000	1.03
Peter Mervyn & Janette Marie Screaigh	454,667	0.93
	34,329,667	70.59

Unquoted options

Unquoted options on issue at 29 August 2008 comprised 1,450,000 options issued under the Company's Employee Option Plan to a total of five holders. They are all exercisable at 25 cents each and expire on 7 March 2011.

tenement summary

for year ended 30 June 2008

TENEMENT PARTICULARS	REGISTERED HOLDER	SHARES	INITIAL TERM COMMENCED	INITIAL TERM EXPIRES	BLOCKS
EL 70/2676	EMPL	100	13/10/2004	12/10/2009	13
EL 70/2758	EMPL	100	15/11/2005	14/11/2010	70
EL 70/2759	EHPL	100	15/11/2005	14/11/2010	40
EL 70/2761	EMPL	100	15/11/2005	14/11/2010	37
EL 70/2762	EMPL	100	15/11/2005	14/11/2010	64
EL 70/2763	EMPL	100	15/11/2005	14/11/2010	38
EL 70/2764	EMPL	100	15/11/2005	14/11/2010	36
EL 70/2765	EMPL	100	15/11/2005	14/11/2010	44
EL 70/2785	EMPL	100	15/11/2005	14/11/2010	44
EL 70/2786	EMPL	100	15/11/2005	14/11/2010	34
EL 70/3314	EMPL	100	24/07/2008	23/07/2013	11

Eneabba Mining Pty Ltd (EMPL):

E 70 / 2676	E 70 / 2758	E 70 / 2761	E 70 / 2762	E 70 / 2763
E 70 / 2764	E 70 / 2765	E 70 / 2785	E 70 / 2786	E 70 / 3314

Eneabba Holding Pty Ltd (EHPL):

E 70 / 2759

The Company has grouped the tenements in Eneabba Mining Pty Ltd under combined status reporting under Section 115A (4) of the Mining Act 1978-1994 and is now known as the "Sargon Group". The Department of Industry & Resources Approval for this grouping is C240/2007.

The Company has lodged its drilling programme with DoIR and is pending approval. Due to a back log of approvals, the Company has requested deferral until the drilling programme has been approved.

The Company received notice on the 24 July 2008 that tenement 70 / 3314 had been granted and will be included in the combined reporting status of the Sargon Group C240/2007.

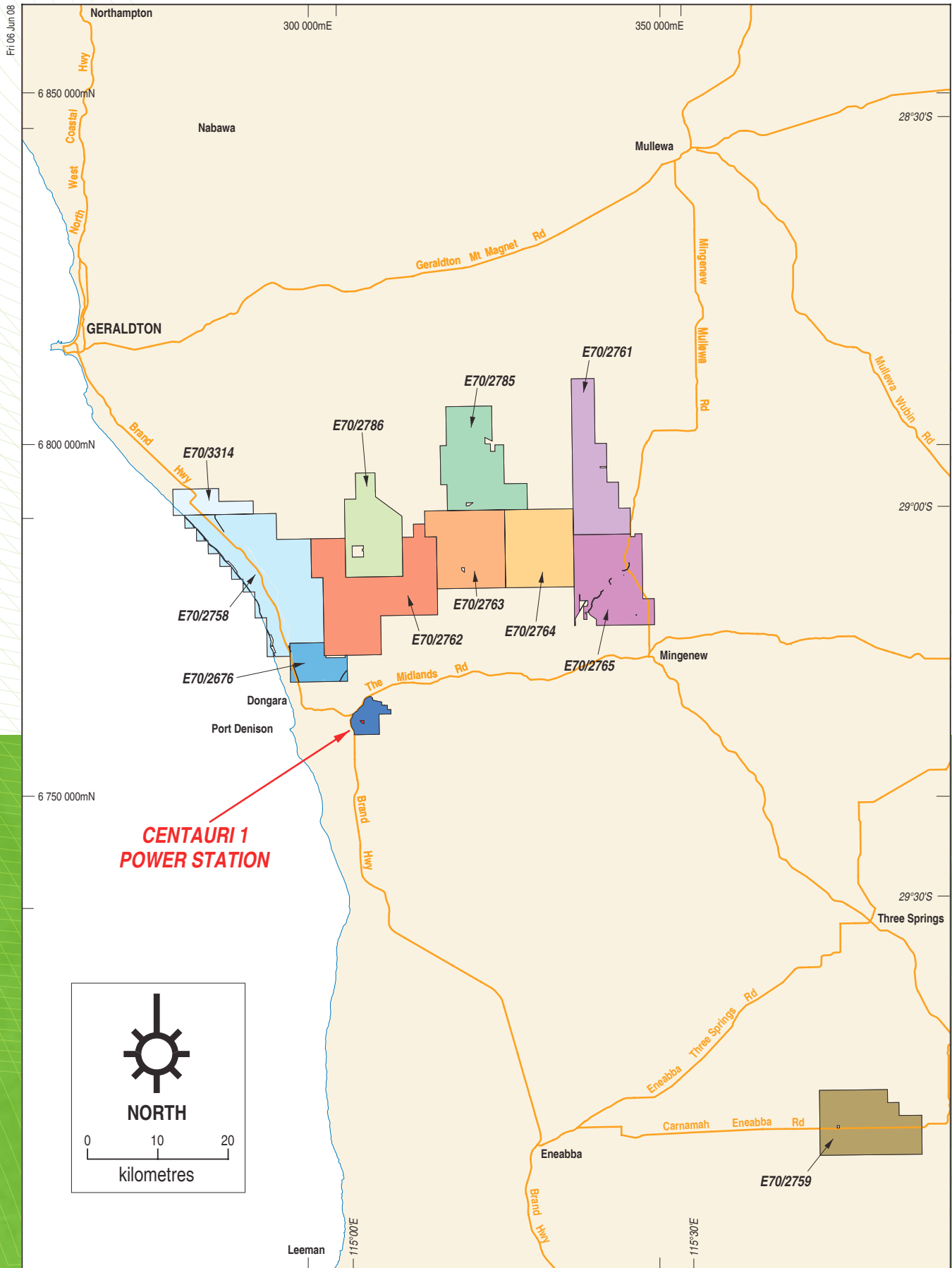


Figure 16
CENTAURI 1 POWER STATION AND TENEMENTS



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Auth: M. Babidge

Project: 3206

Datum: GDA94 (MGA Zone 50)

Date: June 2008

