



ENEABBA GAS LIMITED

ABN 69 107 385 884

Annual Financial Report 30 June 2011

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STOCK EXCHANGE LISTING

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

Reference in this report to 'year' or 'financial year' means the 12 months ended 30 June 2011. 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 Consolidated entity" 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

Koo S Kuang – Non-executive Chairman
Thomas L Goh – Managing Director
Kar C Wan – Non-executive Director
John I Arndell – Non-executive Director

Company Secretary

Piers Lewis

Registered Office

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Auditors

Deloitte Touche Tohmatsu

Share Registry

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PO Box 535
Applecross WA 6953
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ENEABBA GAS LIMITED

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.*

THE CHAIRMAN'S LETTER

Dear Shareholder

The Company continues to face a number of challenges in the Mid West which has continued to cause many companies to pause their investment decisions in this region.

The company has seen some significant changes in the board and management during this year with the most recent being at the Extraordinary General Meeting called in May with the change to the majority of the board and management structure of the company.

As indicated at the EGM in May 2011 the new board continues to focus on the power generation and Under Coal Gasification ("UCG") energy assets together with the review of new opportunities.

The new board continues to maintain a focus on the Centauri 1 Power Station. Whilst the delays are regrettable the board is encouraged by the interest continued to be shown in this project by potential joint venture partners.

The company will continue to seek to develop the UCG coal asset for use in its Mid West power strategy and has continued efforts with interested parties to jointly develop the resource.

Due to the various factors in the Mid West causing delays to the investment decisions of many companies in the region including Eneabba Gas, to enhance shareholder value the new board indicated at the EGM in May that it intended to explore new opportunities. We have reviewed numerous proposals recently to enhance shareholder value of both the existing asset base and new opportunities. To further enhance this process the board has decided to raise additional capital through a placement and fully underwritten entitlements issue which has recently been announced.

KS Kuang
Chairman

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MANAGEMENT AND OPERATIONS REVIEW 2010-2011

MANAGEMENT AND OPERATIONS REPORT

The Company was established early in 2004 and while the Head Office is in the capital city of Perth Western Australia, its main assets, resources and operations are in Regional Australia. The main location has some 4,800 acres of freehold land and is surrounded by infrastructure; a main highway on one boundary, high speed fibre optic cable, power, rail and a major port some 65 Km from the site, plus a natural gas pipeline (APA Parmelia) running through the Company's freehold land. The Company has established a parcel of environmental credits and these are both registered and tradeable when Australian Federal Government approvals are certified.

The proposed Centauri 1, gas-fired power station has a base capacity of 168 MW with design in stages (depending on turbine configuration) up to 365 MW – 399 MW. All the regulatory requirements for power generation licensing, environmental approvals, planning and zoning, as well as State Government approvals are in place.

The 2010 – 2011 financial year has been a year of many challenges with the market recovering from the tail of depressed international financial markets and the growing development uncertainty of the Mid West. The Mid West has been seen to be in a hiatus of companies looking for ways to proceed with their developments with the uncertainty of the MRRT and also the punitive position by the Federal government in denying GST revenue for WA infrastructure projects.

Entitlements Issue

The Company announced on 12 July 2010 it was undertaking a 1 for 6 non-renounceable entitlements issue. The capital raised would be to continue the exploration and also working capital requirements. The issue price was \$0.095 per new share, plus an option for every 3 shares applied for. As a result the offer completed on 24 August 2010 and raised \$765,798 plus the total issue of securities was

| | |
|-----------------|-----------|
| Shares (ENB) | 8,061,042 |
| Options (ENBOC) | 2,687,013 |

Significant Events during the Year

The significant events of the Company in the past twelve months include the following:

In line with the ASX Listing Rule 12.9, which took effect on 01 January 2011, the Company lodged its Securities Trading Policy to the market.

On 25 February 2011 the Chairman, Mr Reg Gillard announced his resignation from the Board. Mr Chris Bennett was appointed Chairman on the same date. On 10 May 2011 Mr Mark H Babidge resigned as a Director of the Company.

On 12 May 2011, Mr Thomas Lik Cheng Goh and Dr Kar Chan Wan were elected by the shareholders to the Board at the General Meeting. Mr Koo Sing Kuang was appointed Chairman of the Company following Mr Bennett's resignation. Mr Simon Robertson resigned as Company Secretary on the same day.

On 13 May 2011, Mr Piers Lewis was appointed as Company Secretary; and on 27 May 2011, Eneabba Gas Limited announced the appointment of Mr John Ian Arndell as a Director of the Company.

Energy Assets review

Gas Inventory

The Company gas reserves were approximately 188 TJ at start of trading. The gas was originally stored in APA Mondarra, but a 'swap agreement' to I1-01 gave a greater flexibility. This gas will be delivered from I1-01 in the North West. While gas sales have been limited, the market price achieved has positive.

Gas inventories of 176 TJ are currently held by the Company for sale. The Company is continuing to look for gas sale opportunities.

Power Generation

On 17 January 2011, following a decision published by the Economic Regulation Authority ("ERA") and under the licence amendments under section 22 of the Electricity Industry Act 2004, the ERA has re-issued the licence for Centauri 1 Power Station, with expiry date 11 March 2037 (Eneabba Energy Pty Ltd).

The Company has continued to progress putting regulatory approvals in place inclusive of environmental approval, electricity generation licence and all other necessary planning and council planning to build the Centauri 1 Power Station project which the Company believes can be built and deliver energy, direct to Mid West consumers within a 14-18 month period after a firm energy off-take agreement can be achieved.

The 'Statement of Opportunities' (SOO) published by the Independent Market Operator as at 1 July 2010, has indicated that delays beyond mid-year 2013 for the Mid West Energy Project¹.

In its annual SOO Report, details have been given in regard to Mid West Energy Project ;

** "Western Power is unable to offer unconstrained transmission access to generators at present"*

** "given the status of various regulatory and funding approvals. Ongoing discussions with a foundation mining customer and the timing schedule needed to construct and commission the line (initially operated as one 330 kV and one 132 kV circuit, the IMO has concluded that the line is unlikely to be in place prior to the 2012/2013 Hot season – Dec to March - but it may be operating during the remainder of the 2013 year".*

***"The size and timing of these loads is not yet certain. Among other things, this uncertainty relates to the progress of regulatory approvals and the outcome of government reviews presently underway in relation to transmission works and other support infrastructure"*

This advised deferral, places ENB in a position to deliver the Centauri 1 Power Station Project which can be built and transmit energy direct to iron ore mining locations within a 14 month period after a firm energy off-take agreement. While direct energy to mine sites can be initially delivered by transmission to the major mining customers, the potential for Centauri 1 connecting to the network in the future years is also possible.

Centauri 1 168 MW gas-fired Power Station : Dongara

Since 2005, the Company, and its technical consultants, have diligently progressed plans for its proposed initial 168MW Centauri 1 gas-fired Power Station, located on Company owned land eight kilometres east of Dongara, and about 365 Km north of Perth in Mid West WA. Generation capacity for the Centauri 1 Power Station can easily be increased to 365MW – 399 MW (depending on turbine configuration) under the proposed plant's existing technical specifications.

To date it is the **ONLY** energy company in the Mid West to receive **ALL** the various Government approvals needed for the rapid development of this vital piece of infrastructure, including Planning Approval from the Shire of Irwin, the Environmental Protection Authority (EPA) and the Department of Industry and Resources (DoIR).

The Company is also the only energy company in the Mid West to have finalised all technical aspects associated with its Centauri 1 Power Station, and has also reached agreement in principle to acquire four GE LM 6000 gas - fired turbines. This allows construction to commence on site promptly on go-ahead been given. The Company expects its Centauri 1 Power Station to be operational in approximately 18-20 months, or as soon as take or pay contracts for Mid West iron ore customers are confirmed.

These activities have, at all times, centred on the objective of becoming the leading supplier of cost effective, low carbon emission, "clean" energy to companies and organisations wishing to develop major mining and industrial projects in Western Australia's rapidly developing Mid West Region, not limited to, but likely to include, a range of iron-ore mining companies developing projects in the Region.

The Company strongly believes the recent announcements regarding the allocation of energy contracts by Synergy confirm the inability of others to demonstrate the capability to have project readiness in the Mid West. The recent State Budget again has yet again deferred the firm funding for the 330 kV line, which gives the Company and opportunity to fill this gap. All the building blocks are in place to ensure that Centauri 1 Power Station is able to meet the energy needs of the Mid West companies, not least all necessary approvals, finalised technical plans and a MoU for a gas supply agreement with a dominant operator in UCG development.

More than that, the Company is also able to bring our power station on line within any timeframe required from any end users, at a cost that is significantly less than any current or potential energy competitors.

The miners will not only have the ability / security of local generation (not the problems of 70 + events per year of 'brown-out' due to line failure), but also power at much reduced price to assist in their project's economic benefit, thereby supporting the State Government's desire and vision for the Oakajee Port to commence.

Unique Location

The Company's substantial energy resource and Centauri 1 Power Station are uniquely placed, being:

| | |
|--------------|--|
| Main highway | Brand Highway & Midlands Highway as our property boundaries |
| Gas | Dampier Bunbury Natural Gas Pipeline access as the Parmelia Pipeline runs through freehold land of ENB |
| Rail | 250 metres from our property boundary |
| Power | within 18 km of the 132 kV line |
| Port | Geraldton Port 65 km, proposed Oakajee deep water port 85 km |

The Centauri-1 Power Station has also focussed on ensuring it will be a 'carbon neutral' site. This has been activated through the conservation of some 3,000 acres of remnant bush, which has been confirmed by the Greenhouse Office to offset some 30.5 MW equivalent of carbon credits.

Sargon Mining Tenements

The Eneabba Mining Pty Ltd tenements are now the Exploration Tenement E70/2758, extended two years to 14 November 2012 and the Offshore Exploration Licence WA-8-EOS, extended 1 year to 14 November 2011 (this being contiguous with E70/2758).

The Company advises that the Department of Mines and Petroleum ("DMP") has, on 27 June 2011, granted its Programme of Work ("PoW") Approval for exploration on Sargon Tenement E70/2758. The Company intends undertaking a water sampling review on the tenement as discussed with and approved by the W.A. Department of Water.

Tenements E70/2763 & E70/2764 had lapsed as at 04 January 2011; whilst Tenements E70/ 2761, E70/2762, E70/2765, E70/2785 and E70/2786 were surrendered as at 01 March 2011.

Exploration

The Sargon Coal Tenements and supply of the fuel source for Centauri 1 Power Station are located in the Mid West of Western Australia, adjacent to major infrastructure. The existing Port of Geraldton and the planned deep-water Oakajee port are within 60-70 km; a railway runs through the tenement; and the main highway from Perth, north to the Pilbara and the Kimberley - the Brand Highway - also runs through the tenement.

The Company has been very pleased with the exploration programme to date. The first report was 5 August 2009, which delineated the initial "sweet spot" in tenement E70/2758.

The initial JORC Stage I report now gives the overall report under the classified JORC compliant coal resources which has the two elements, Indicated and Inferred:

| | <u>Million Tonnes</u> | <u>MJ /kg</u> | <u>PJ insitu</u> |
|---------------------|-----------------------|---------------|------------------|
| Total Ytd Inferred | 33 | 16 | 524 PJ |
| Total Ytd Indicated | 128 | 16 | 2,036 PJ |
| TOTAL | 161 | | 2,561 PJ |

Due to the nature of coal, all data includes the total potential energy as PJ in this 'sweet spot' of the Sargon tenements. As indicated in the Xenith report, the Sargon coal has an average insitu energy content of 16 MJ/kg (arb) and an average ash content of 20% (arb) and appears consistent throughout the tenement.

With the final JORC report the Company can confirmed as one of the most significant stand-alone energy projects in Western Australia's Mid West Region. Independent analysis by Xenith Consulting Pty Ltd ("Xenith") has confirmed that the first of the Company's Sargon Tenements contains 3,037 PJ of insitu energy.

Xenith is regarded as a coal resource specialist with experience in classifying coal resources both in Australia and worldwide. The final total JORC resource result in this section of the Sargon Tenements was determined by Xenith, having increased by 20% on the Maiden JORC result as reported on 24 September 2009:

| | <u>Million Tonnes</u> | <u>MJ/kg</u> | <u>PJ insitu</u> |
|---------------------|-----------------------|--------------|------------------|
| Total Ytd Inferred | 74 | 15.75 | 1,875 PJ |
| Total Ytd Indicated | 119 | 15.66 | 1,162 PJ |
| TOTAL | 194 | | 3,037 PJ |

On the basis of its analysis and understanding of the nature of coal, Xenith has determined the total estimated energy (in PJ) in this section of the Sargon Tenements. It has found that, as the Sargon coal is running at an average of 16MJ/kg, the in-situ resource (averaging some 20% of ash) would yield a combined 194 million tonnes of coal, translating to 3,037 PJ of energy. The Company is aware that in-situ coal in various operations within Australia and overseas, suitable for UCG, has yielded a potential range of recoverable energy of some 50.0% - 58.0% plus of the insitu energy.

Competent Persons Statement

*** The information in this report relating to JORC results is based on information compiled by Mr Troy Turner who is a member of the Australasian Institute of Mining and Metallurgy, and is a full time employee of Xenith Consulting Pty Ltd. Mr Turner is a qualified geologist and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Turner consents to the inclusion in the mapping of the matters based on the information, in the form and context in which it appears.*

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BOARD OF DIRECTORS

Koo Sing Kuang - Chairman and Non Executive Director

Kuang joined Petronas in 1977, where he undertook 18 months full time training in petroleum exploration, development and production given by Shell's foremost geoscientists. He then worked within Exxon and other international oil companies and after 3 years of study of the Malaysian acreages, he allocated the most productive acreages to Petronas, which is one of the key reasons for its success.

He was subsequently recruited by Santos and joined Delhi's regional team in 1984. He wrote the paper "History and Styles of Cooper-Eromanga Basin Structure" which was presented at the 4th ASEG Conference 1985 in Sydney and won the Best Paper Award. He holds a BSc (Hons) Physics and MSc Geophysics from Canterbury University in New Zealand. He has previously been a director of Beach Petroleum.

Kuang was a founding member of the Inland Joint Venture 1992, which one and a half years later found the Inland Oil Field, making the joint venture the first private owners of an oil field in Australia.

Thomas L. Goh - Managing Director

Thomas Goh holds a B.Sc Degree in Mathematics (University of Singapore), and has acquired years of extensive experience in the petroleum exploration industry through working with seismic contractor companies (in Singapore), a major international oil company and an Australian group of companies in Australia.

Operating in Southeast Asia and Pacific-rim regions, he rose to position of manager at an early age with a US company before migrating in 1978 to Australia, where he had direct technical involvement in the economic appraisals of both gas and oil discoveries. As Director and General Manager of a public listed oil & gas company, he continued contributing much of his technical expertise directly to joint ventures to achieve successful exploration objectives. Furthermore, he initiated several vital corporate strategies, which included technical evaluations, commercial negotiations, sale and acquisition of petroleum interests.

He co-founded Eneabba Gas Limited in 2003, and built up the seed-capital before the company was listed on the ASX in 2006. As Executive Director, he contributed in advancing the Centauri-1 power general project to the point where operation licences and all other necessary statutory approvals were obtained.

Kar C Wan - Non Executive Director

K C Wan is one of the seed capitalists of the Company. He is a private medical consultant and Adjunct Professor at Curtin University and Edith Cowan University in Western Australia. He also chairs the Industrial Diseases Medical Panel established by Workcover, Western Australia. K C Wan has been practising as a medical consultant in Western Australia since 1979. He has a Graduate Diploma in Public Administration and many years experience in administration.

K C is a past President of the Occupational Health society of Australia, Chairman of Australian New Zealand Society of Occupational Medicine Western Australia and Vice President Chung Wah Association of Western Australia.

John I Arndell - Non Executive Director

Mr Arndell is a Chartered Accountant with over 30 years experience in both the professional and commercial arenas.

He has been a partner in a number of chartered accounting practices operating both nationally and internationally and specialized in the trading and reconstruction of companies across a diverse range of industries.

In the commercial field Mr Arndell has been involved as a consultant to a wide range of both public and private companies dealing with strategic planning, general consulting and deal negotiations both in Australia and internationally.

RESPONSES TO ASX CORPORATE GOVERNANCE RECOMMENDATIONS

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.

The performance of senior executives is evaluated on an on-going basis using a peer reviewing procedure. The Nominations and Remunerations Committee considers adjustments to remuneration of directors', senior executives and employees annually after considering performance evaluations from peers of those concerned.

Principle 2: Structure the Board to add value

The Nominations and Remunerations 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. Currently the Chairman is not independent.

The independence of directors is reviewed annually prior to completion of the Annual Report. Directors are entitled to obtain independent external advice on matters relating to accounting, law or other relevant professional matters.

The Board Charter provides 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.

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
- Securities 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.

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.

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

Diversity Policy

The Company has adopted a Diversity Policy. This policy can be viewed at <http://www.eneabbagas.com.au/viewStory/Diversity+Policy+2011>

Gender proportions:

Currently the Company has no women directors, 50% of senior executive staff are female.

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 Consolidated entity's relationship with its external auditors including receipt of the audit independence statement on behalf of the Board.

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 Consolidated entity'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.

The Board has adopted a Communications Policy, a summary of which is available on the Company's website

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 Consolidated entity 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 Consolidated entity 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.

The Managing Director and Chief Financial Officer 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 Corporations Act and the relevant accounting standards; and
- present a true and fair view, in all material respects, of the Consolidated entity's financial position and performance.

Management reports to the Board at regular intervals as to the effectiveness of the Company's material business risk.

Principle 8: 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.

Explanation of departure

During the financial year Eneabba Gas has strived to comply with the 8 Essential Corporate Governance Principles and Recommendations where appropriate for the size and nature of the Group and Industry in which it operates. A summary of departure from the ASX Corporate Governance Principles and Recommendations is outlined below:

| Best Practice Recommendation | Notification of Departure | Explanation of Departure |
|-------------------------------------|--|---|
| 2.2 Independent Chairperson | The Consolidated entity does not have an Independent Chairperson | The Board continues to strive to meet the principles of Good Corporate Governance and Best Practice Recommendations or other such principles and guidance as the Board may consider appropriate from time to time, however the Board also recognises that complying the ASX Corporate Governance Council Recommendation 2.2. is impractical given the size of the Board, the size of the Group and the industry in which it operates. |

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DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2011.

Directors

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

| | |
|-------------|--|
| K S Kuang* | Chairman - Non-executive Director |
| T L Goh | Managing Director, appointed 12 May 2011 |
| K C Wan | Non-executive Director, appointed 12 May 2011 |
| J I Arndell | Non-executive Director, appointed 27 May 2011 |
| R N Gillard | Chairman – resigned 25 February 2011 |
| M H Babidge | Chief Executive Officer and Managing Director – resigned 10 May 2011 |
| C E Bennett | Appointed Chairman 25 February 2011 and resigned 12 May 2011 |

* K S Kuang was appointed Chairman on 12 May 2011.

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

The qualifications, experience and directorships of other listed entities of Directors are shown on page 10 of this Annual Report.

Company Secretary

P Lewis has been the Company Secretary of Eneabba Gas Limited from his appointment on 13 May 2011. S L Robertson was the Company Secretary until his resignation on 12 May 2011.

Principal activities

The principal activity of the economic entity during the financial year was the exploration of the Sargon tenement and 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 \$3,792,035 (2010: a loss of \$1,801,376). A review of operations can be found on pages 6, 7, 8, and 9 "Management & Operations Review 2010-2011"

Future developments

Disclosure of information regarding future developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

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 date events

Other than the matters presented below, 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.

As announced to the ASX on 27 September 2011, the Company has agreed to a capital raising for a minimum amount of \$1.8m and up to an amount of \$3m.

The capital raising consists of three separate but connected capital raising events.

- i) A private placement of 11.8m shares raising \$353k on 22 September 2011 (completed);
- ii) A one for two underwritten entitlements issue issuing 49.1m shares raising \$1.5m (due mid Oct 2011); and
- iii) A top-up placement of 42m shares to Ventnor Securities and its nominees raising a total of up to \$1.2m (dependent on entitlements issue take up), due within 3 days after entitlements issue.

In combination with the funds raised from the placement of ordinary shares announced to the market on 22 September 2011 (Placement), capital raised under the capital raisings events will be used by the Company to fund its:

- Continued exploration of the Sargon tenement;
- Ongoing review of opportunities to pursue;
- Funding of the costs of seeking out, researching and reviewing new investment opportunities for the Company;
- Repayment of Director loans;
- Continue development work on the proposed 168 MW Centauri 1 Gas-fired Power Station near Dongara, Western Australia
- Working capital requirements; and
- Payment of the costs of the capital raising.

The board believes that the completion of the capital raised will establish the capacity to continue the current strategy for the Company and will position the Company well for the future evaluate further project opportunities and to enhance shareholder returns.

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 Gas Limited ("EGL") 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 it's 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 consolidated entities and reports of external transactions likely to have relevance to the consolidated entities 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.

Remuneration report (Audited)

This remuneration report, which forms part of the Directors' report, sets out information about the remuneration of Eneabba Gas Limited directors' and its senior management for the financial year ended 30 June 2011. The prescribed details for each person covered by this report are detailed below under the following sub-headings:

- Remuneration policy for specified directors
- Managing Director
- Non executive Directors
- Other officers
- Nomination and remuneration committee
- Directors' remuneration

Director and senior management details

The following persons acted as directors of the company during or since the end of the financial year:

- K S Kuang* Chairman - Non-executive Director
- T L Goh Managing Director, appointed 12 May 2011
- K C Wan Non-executive Director, appointed 12 May 2011
- J I Arndell Non-executive Director, appointed 27 May 2011
- R N Gillard Chairman – resigned 25 February 2011
- M H Babidge Chief Executive Officer and Managing Director – resigned 10 May 2011
- C E Bennett Appointed Chairman 25 February 2011 and resigned 12 May 2011

* K S Kuang was appointed Chairman on 12 May 2011.

Remuneration policy for specified directors

The Nomination and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Managing Director, the executive team and external directors. The Nomination and 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 report.

All remuneration paid to directors and executives is valued at cost to the consolidate entity. Options are valued using the Black-Scholes methodology.

Remuneration includes amounts payable to director controlled entities for services provided by directors. Remuneration levels are not dependent upon any performance criteria of the Consolidated entity as the nature of the Consolidated entity's operation is exploration and is not currently generating a profit.

Earnings and movements in Shareholder wealth

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years previously to 30 June 2011.

| | 30 June 2011 | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 106,959 | 95,204 | 3,950,383 | 1,864,749 | 199,832 |
| Net profit/(loss) before tax | (3,792,035) | (1,801,376) | 548,336 | (602,717) | (1,697,270) |
| Net profit/(loss) after tax | (3,792,035) | (1,801,376) | 548,336 | (602,717) | (1,697,270) |

| | 30 June 2011 | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| Share price at start of year | 0.10 | 0.20 | 0.10 | 0.31 | 0.24 |
| Share price at end of year | 0.04 | 0.10 | 0.20 | 0.10 | 0.31 |
| Basic earnings per share | (4.45) | (2.35) | 0.74 | (0.81) | (2.38) |
| Diluted earnings per share | (4.45) | (2.35) | 0.61 | (0.81) | (2.38) |

Managing Director

With effect from 12 May 2011, the annual base salary and allowances of the Managing Director was as follows:

| | Base Salary \$ | Superannuation \$ | Allowances \$ |
|---------|-------------------|----------------------|------------------|
| T L Goh | 180,000 | 16,200 | 15,750 |

The previous Managing Director, Mr Mark Babidge received a base salary of \$240,000 plus statutory superannuation and allowances of \$19,200.

The Managing Director is also entitled to 20 days annual leave with 17.5% annual leave loading and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. Either the Company or the Managing Director 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 2009 Annual General Meeting, shareholders approved an increase of \$150,000 bringing the pool to \$350,000 per annum for non-executive directors' fees. The Board has subsequently agreed that the Chairman will receive annual remuneration of \$45,000 plus superannuation at the statutory guarantee level and allowances of \$1,200 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 \$1,200.

Directors receive no additional compensation for membership of Board Committees.

Other officers

The Company has paid fees of \$10,964 to Cranley Consulting, a company in which the Company Secretary P Lewis has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

The Company has paid fees of \$44,625 to SLR Consulting Pty Ltd, a company in which the former Company Secretary S L Robertson has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

Nominations and Remuneration Committee

The Nominations and Remuneration Committee Charter 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.

Directors' remuneration

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

Short Term Benefits

| | Year | Salaries and Fees | Bonus and Special Fees | Allowances ¹ | Post Employment Benefits ² | Termination Payment | Share Based Payments | Total |
|---------------------------------|-------------|-------------------|------------------------|-------------------------|---------------------------------------|---------------------|----------------------|----------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Managing director: | | | | | | | | |
| T L Goh ³ | 2011 | 22,500 | - | 1,969 | 2,025 | - | - | 26,494 |
| | 2010 | - | - | - | - | - | - | - |
| M H Babidge ⁴ | 2011 | 275,152 | - | 19,200 | 24,764 | 120,000 | - | 439,116 |
| | 2010 | 209,256 | - | 19,200 | 23,077 | - | 253,500 | 505,033 |
| Total | 2011 | 297,652 | - | 21,169 | 26,789 | 120,000 | - | 465,610 |
| | 2010 | 209,256 | - | 19,200 | 23,077 | - | 253,500 | 505,033 |
| Non-executive directors: | | | | | | | | |
| K S Kuang ⁵ | 2011 | 40,625 | - | 1,200 | 3,656 | - | - | 45,481 |
| | 2010 | 48,871 | - | 2,140 | 4,403 | - | - | 55,414 |
| K C Wan ⁶ | 2011 | 5,000 | - | - | 450 | - | - | 5,450 |
| | 2010 | - | - | - | - | - | - | - |
| J I Arndell ⁷ | 2011 | 3,333 | - | 100 | 300 | - | - | 3,733 |
| | 2010 | - | - | - | - | - | - | - |
| C E Bennett ⁸ | 2011 | 32,914 | - | 700 | 2,962 | - | - | 36,576 |
| | 2010 | 60,833 | - | 1,200 | 5,475 | - | - | 67,508 |
| R N Gillard ⁹ | 2011 | 22,918 | - | 8,000 | 2,063 | - | - | 32,981 |
| | 2010 | 67,911 | - | 19,200 | 6,115 | - | - | 93,226 |
| P R Oates ¹⁰ | 2011 | - | - | - | - | - | - | - |
| | 2010 | 44,583 | - | 900 | 4,012 | - | - | 49,495 |
| Total | 2011 | 104,790 | - | 10,000 | 9,431 | - | - | 124,221 |
| | 2010 | 222,198 | - | 23,440 | 20,005 | - | - | 265,643 |
| Total | 2011 | 402,442 | - | 31,169 | 36,220 | 120,000 | - | 589,831 |
| | 2010 | 431,454 | - | 42,640 | 43,082 | - | 253,500 | 770,676 |

No part of this remuneration was performance based except for M H Babidge.

1. The amounts included in this column include allowances for out-of-pocket expenses.
2. The benefits included in this column include superannuation.
3. T L Goh was appointed Managing Director 12 May 2011.
4. M H Babidge resigned as Managing Director on 10 May 2011. Mr Babidge was paid an ETP of \$120,000 on 2 July 2011.
5. K S Kuang was appointed Chairman on 12 May 2011.
6. K C Wan was appointed as a Director on 12 May 2011.
7. J I Arndell was appointed as a Director on 27 May 2011.
8. C E Bennett resigned as Chairman from the Board of Directors 12 May 2011.
9. R N Gillard resigned as Chairman from the Board of Directors 25 February 2011.
10. P R Oates retired as Director on 23 March 2010.

OTHER MATTERS

Meetings of directors

During the financial year, 15 meetings of directors were held, with the following attendances:

| Director | Scheduled Board Meetings | | Special Board Meetings | |
|-------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | Meetings Eligible to Attend | Meetings Attended | Meetings Eligible to Attend | Meetings Attended |
| T L Goh | 2 | 2 | 1 | 1 |
| M H Babidge | 10 | 10 | 2 | 2 |
| K S Kuang | 12 | 12 | 3 | 3 |
| K C Wan | 2 | 2 | 1 | 1 |
| J I Arndell | 1 | 1 | - | - |
| C E Bennett | 11 | 11 | 2 | 2 |
| R N Gillard | 6 | 5 | 2 | 2 |

| Director | 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 |
| T L Goh | - | - | 1 | 1 | 1 | 1 |
| M H Babidge | 3 | 3 | 2 | 2 | - | - |
| K S Kuang | 1 | 1 | 3 | 3 | 1 | 1 |
| K C Wan | - | - | 1 | 1 | 1 | 1 |
| J I Arndell | - | - | - | - | - | - |
| C E Bennett | 3 | 3 | 2 | 2 | 1 | 1 |
| R N Gillard | 2 | 2 | 2 | 2 | - | - |

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 Consolidated entity.

The company has paid premiums with respect to a contract insuring the directors and officers of the Consolidated entity 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 19,983,928 unissued ordinary shares for which options are outstanding at the date of this report.

| <u>Description</u> | <u>Number</u> |
|--|-------------------|
| 20 cent listed options expiring 30 June 2012 | 17,296,915 |
| 15 cent listed options expiring 30 June 2013 | 2,687,013 |
| Total | 19,983,928 |

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.

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

| | Total |
|-------------|------------|
| T L Goh | 5,733,703 |
| K S Kuang | 11,657,228 |
| K C Wan | 3,500,000 |
| J I Arndell | - |

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

| | Total |
|-------------|-----------|
| T L Goh | 1,527,778 |
| K S Kuang | 2,242,439 |
| K C Wan | 907,168 |
| J I Arndell | - |

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, Deloitte Touche Tohmatsu effective 1 July 2011 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, no fees were paid or payable to Deloitte Touche Tohmatsu and its related practices for the provision of non audit services.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on the next page.

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



T L Goh
Managing Director
28 September 2011

The Board of Directors
Eneabba Gas Limited
Level 1, 30 Ord Street
PERTH WA 6005

28 September 2011

Dear Board Members

Eneabba Gas Limited

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

As lead audit partner for the audit of the financial statements of Eneabba Gas Limited and its controlled entities for the financial year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2011

| | Notes | Consolidated | |
|--|-------|--------------------|--------------------|
| | | 2011 \$ | 2010 \$ |
| Revenue from continuing operations | | | |
| Finance revenue | | 31,839 | 85,922 |
| Sale of gas | | 75,120 | - |
| Other income | | - | 9,282 |
| Total revenue from continuing operations | | 106,959 | 95,204 |
| Expenses | | | |
| Cost of gas sold | | (71,044) | - |
| Feasibility study costs | | (153,660) | (20,470) |
| Employee benefits | 3a | (833,721) | (1,231,512) |
| Depreciation | | (15,704) | (38,402) |
| Loss on disposal of property, plant and equipment | 9a | (4,541) | - |
| Provision for writedown of Inventory | | (262,124) | - |
| Exploration expenditure written off | 10b | (2,045,937) | - |
| Other expenses | | (512,263) | (606,196) |
| Total expenses from continuing operations | | (3,898,994) | (1,896,580) |
| Loss from continuing operations before income tax | 3 | (3,792,035) | (1,801,376) |
| Income tax | 4 | - | - |
| Loss from continuing operations after tax | | (3,792,035) | (1,801,376) |
| Loss attributable to members of Eneabba Gas Limited | | (3,792,035) | (1,801,376) |
| Other comprehensive loss for the year net of tax | | - | - |
| Total comprehensive loss attributable to members of Eneabba Gas Limited | | (3,792,035) | (1,801,376) |
| | | Cents | Cents |
| Basic earnings (loss) per share | 21 | (4.45) | (2.35) |
| Diluted earnings (loss) per share | 21 | (4.45) | (2.35) |

The above Statement of Comprehensive Income should be read in conjunction with the attached notes.

Consolidated Statement of Financial Position
as at 30 June 2011

| | | Consolidated | |
|-----------------------------------|----|---------------------|------------------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Notes | | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 5 | 394,921 | 864,662 |
| Receivables | | - | 15,131 |
| Prepayments | | 31,784 | 46,624 |
| Inventories | 7 | 890,000 | 1,142,719 |
| Total current assets | | 1,316,705 | 2,069,136 |
| Non-current assets | | | |
| Deposits | 6 | 25,000 | 25,000 |
| Property, plant and equipment | 9 | 1,672,273 | 1,691,258 |
| Exploration and evaluation assets | 10 | 1,583,482 | 3,200,015 |
| Prepayments | | - | 125,000 |
| Total non-current assets | | 3,280,755 | 5,041,273 |
| Total assets | | 4,597,460 | 7,110,409 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | | 56,267 | 74,110 |
| Unearned revenue | 11 | 517 | 517 |
| Provisions | 12 | 153,828 | 42,737 |
| Loans - Directors | 8 | 400,000 | - |
| Total current liabilities | | 610,612 | 117,364 |
| Total liabilities | | 610,612 | 117,364 |
| Net assets | | 3,986,848 | 6,993,045 |
| EQUITY | | | |
| Contributed equity | 13 | 11,189,034 | 10,451,196 |
| Option reserve | 14 | 1,072,840 | 1,024,840 |
| Accumulated losses | | (8,155,026) | (4,482,991) |
| Total equity | | 3,986,848 | 6,993,045 |

The above Statement of Financial Position should be read in conjunction with the attached notes

Consolidated Statement of Changes in Equity
for the year ended 30 June 2011

| | Issued capital | Reserves | Accumulated losses | Total equity |
|---|-------------------|------------------|--------------------|--------------------|
| | \$ | \$ | \$ | \$ |
| Consolidated | | | | |
| Shareholders' equity at 30 June 2009 | 10,255,109 | 629,029 | (2,681,615) | 8,202,523 |
| Loss for the year | - | - | (1,801,376) | (1,801,376) |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive income / (loss) | - | - | (1,801,376) | (1,801,376) |
| Recognition of share based payments | - | 253,500 | - | 253,500 |
| Gross proceeds from issue of options | - | 161,002 | - | 161,002 |
| Less costs of option issue | - | (18,691) | - | (18,691) |
| Gross proceeds from exercise of options | 197,587 | - | - | 197,587 |
| Less costs of share issue | (1,500) | - | - | (1,500) |
| Loss for the year | - | - | (1,801,376) | (1,801,376) |
| Shareholders' equity at 30 June 2010 | 10,451,196 | 1,024,840 | (4,482,991) | 6,993,045 |
| Shareholders' equity at 1 July 2010 | 10,451,196 | 1,024,840 | (4,482,991) | 6,993,045 |
| Loss for the year | - | - | (3,792,035) | (3,792,035) |
| Other Comprehensive Income | - | - | - | - |
| Total Comprehensive income / (loss) | - | - | (3,792,035) | (3,792,035) |
| Recognition of share based payments | - | 48,000 | - | 48,000 |
| Gross proceeds from rights issue | 765,799 | - | - | 765,799 |
| Less costs of rights issue | (27,961) | - | - | (27,961) |
| Shareholders' equity at 30 June 2011 | 11,189,034 | 1,072,840 | (8,275,026) | 3,986,848 |

The above Statement of Changes in Equity should be read in conjunction with the attached notes.

For personal use only

Consolidated Statement of Cash Flows
for the year ended 30 June 2011

| | Notes | Consolidated | |
|---|-------|--------------|-------------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Proceeds from sale of inventory | | 75,120 | - |
| Payments to suppliers and employees inclusive of GST | | (1,212,830) | (1,616,106) |
| Payments for purchase of inventory | | (71,044) | (1,142,720) |
| Interest received | | 24,517 | 85,922 |
| Other income | | 7,322 | 9,282 |
| Net cash flows from (used in) operating activities | 24 | (1,176,915) | (2,663,622) |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,260) | (5,537) |
| Payments for exploration and evaluation activities | | (429,404) | (1,557,959) |
| Net cash flows from (used in) investing activities | | (430,664) | (1,563,496) |
| Cash flows from financing activities | | | |
| Gross proceeds from rights issue | | 765,799 | - |
| Rights issue costs | | (27,961) | - |
| Gross proceeds from exercise of options | | - | 196,087 |
| Proceeds from issue of options | | - | 161,002 |
| Option issue costs | | - | (18,691) |
| Proceeds from Director loan | | 400,000 | - |
| Net cash flows from financing activities | | 1,137,838 | 338,398 |
| Net increase (decrease) in cash for the year | | | |
| | | (469,741) | (3,888,720) |
| Cash at the beginning of the year | | | |
| | | 864,662 | 4,753,382 |
| Cash at the end of the year | | | |
| | 5 | 394,921 | 864,662 |

The above Statement of Cash Flows should be read in conjunction with the attached notes.

Notes to the Financial Statements

for the year ended 30 June 2011

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) Adoption of New and Revised Accounting Standards

i. New standards and interpretations adopted

In the current year, the consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Adoption of these standards has had no impact on the consolidated entity's Financial Statements:

| Standard or Interpretation | Nature of Change |
|--|--|
| Amendments to AASB 7 'Financial Instruments: Disclosure' (adopted in advance of effective date of 1 January 2011) | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. |
| Amendments to AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' | Disclosures in these financial statements have been modified to reflect the clarification in AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project' that the disclosure requirements in Standards other than AASB 5 do not generally apply to noncurrent assets classified as held for sale and discontinued operations. |
| Amendments to AASB 101 'Presentation of Financial Statements' (adopted in advance of effective date of 1 January 2011) | The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. |
| Amendments to AASB 107 'Statement of Cash Flows' | The amendments (part of AASB 2009-5 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. Consequently, cash flows in respect of development costs that do not meet the criteria in AASB 138 'Intangible Assets' for capitalisation as part of an internally generated intangible asset (and, therefore, are recognised in profit or loss as incurred) have been reclassified from investing to operating activities in the statement of cash flows. |

i) New standards and interpretations adopted (cont'd)

| Standard or Interpretation | Nature of Change |
|---|--|
| AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process | AASB 2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> specify amendments resulting from the IASB's annual improvement project to various Australian accounting standards and interpretations. As permitted, the consolidated entity has early adopted most of the amendments in AASB 2009-5. However, the amendments to AASB 117 <i>Leases</i> have not been |

| Standard or Interpretation | Nature of Change |
|---|--|
| | <p>early adopted. Adoption of these amendments will potentially result in the reclassification of several leases over land as finance leases. The amendments, which apply retrospectively to unexpired leases from 1 July 2010, remove the guidance from AASB 117 which effectively prohibited the classification of leases over land as finance leases. It is not practical to provide a reasonable estimate of the impact of this amendment until a detailed review of existing leases has been completed.</p> |
| <p>AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2.</p> | <p>The application of AASB 2009-8 makes amendments to AASB 2 ‘Share-based Payment’ to clarify the scope of AASB 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.</p> |
| <p>AASB 2009-10: Amendments to Australian Accounting Standards – Classification of Rights Issues</p> | <p>The application of AASB 2009-10 makes amendments to AASB 132 ‘Financial Instruments: Presentation’ to address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Consolidated entity has not entered into any arrangements that would fall within the scope of the amendments.</p> |
| <p>AASB 2010-3: Amendments to Australian Accounting Standards arising from the Annual Improvements Project</p> | <p>The application of AASB 2010-3 makes amendments to AASB 3(2008) ‘Business Combinations’ to clarify that the measurement choice regarding non-controlling interests at the date of acquisition is only available in respect of non controlling interests that are present ownership interests and that entitle their holders to a proportionate share of the entity’s net assets in the event of liquidation. All other types of non controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by other Standards.</p> <p>In addition, the application of AASB 2010-3 makes amendments to AASB 3(2008) to give more guidance regarding the accounting for share-based payment awards held by the acquiree’s employees. Specifically, the amendments specify that share-based payment transactions of the acquiree that are not replaced should be measured in accordance with AASB 2 ‘Share-based Payment’ at the acquisition date (‘market-based measure’).</p> |
| <p>AASB 2010-4 ‘Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project’</p> | <p>Except for the amendments to AASB 7 and AASB 101 described earlier this section, the application of AASB 2010-4 has not had any material effect on amounts reported in the financial statements.</p> |
| <p>Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments.</p> | <p>This Interpretation provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular, the equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss. To date, the Consolidated entity has not entered into transactions of this nature.</p> |

(ii) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, a number of Standards and Interpretations including those Standards and Interpretations issued by the IASB/IFRIC where an Australian equivalent has not been made by the AASB, were in issue but not yet effective.

Management is currently evaluating the impact that the initial application of the following Standards and Interpretations will have on the financial report of the consolidated entity:

| Standard / Interpretation | Effective for annual reporting periods beginning/ending on or after | Expected to be applied by consolidated entity |
|--|---|---|
| AASB 124 Related Party Disclosures (2009) and AASB 2009-12 Amendments to Australian Accounting Standards | 1 January 2011 | 30 June 2012 |
| AASB 9: Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-9 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) | 1 January 2013 | 30 June 2014 |
| AASB 2010-4 Further Amendments to Australian Accounting Standards arising from Annual Improvements Project | 1 January 2011 | 30 June 2012 |
| AASB 2010-5 Amendments to Australian Accounting Standards | 1 January 2011 | 30 June 2012 |
| AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets | 1 July 2011 | 30 June 2012 |
| AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets | 1 January 2012 | 30 June 2013 |
| AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 'Separate Financial Statements'(2011), AASB 128 'Investments in Associates and Joint Ventures' (2011), and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'. AASB 13 'Fair Value Measurements', AASB 119 'Employee Benefits' (2011) and AASB 2011-9 'Amendments to Presentation of Items of Other Comprehensive Income'. | 1 January 2013 | 30 June 2014 |

c) 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.

d) 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 Consolidated entity').

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

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are consolidated from the date on which control is transferred to the Consolidated entity and cease to be consolidated from the date on which control is transferred out of the Consolidated entity.

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 Limited has control.

e) 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.

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, fencing and storage container 7.5% to 37.5%.

f) Cash and cash equivalents

For the purposes of the Cash Flow Statements, cash and cash equivalents 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.

g) 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. Revenue from the sale of gas 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.

h) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The consolidated entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the consolidated entity is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

i) Recoverable amount of non-current assets

At each reporting date, the Consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated entity 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.

j) Inventories

Inventories comprise supplies of gas and are valued at the lower of cost and net realisable value. Costs include transport. The Consolidated entity is not a gas trader.

k) Exploration and evaluation 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.

l) 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.

m) 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.

n) Share based payments

The Consolidated entity provides benefits to employees (including directors) of the Consolidated entity 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 the Black-Scholes methodology.

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 Consolidated entity, 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.

o) Interest in a jointly controlled operation

The Consolidated entity has an interest in a joint venture that is a jointly controlled operation. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled operation involves use of assets and other resources of the venturers rather than establishment of a separate entity. The Consolidated entity also recognises the expenses that it incurs in accordance with the Joint Venture agreement.

p) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

q) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Note 2 - Segment Reporting

The economic entity conducts operations in two operating segments, electricity generation and mineral exploration, and one geographic segment, Australia. At the date of this report electricity generation operations are still subject to the outcome of feasibility studies.

| | Electricity Generation | Mineral Exploration | Unallocated | Consolidated |
|---|---------------------------|------------------------|---------------|----------------|
| 2011 | \$ | \$ | \$ | \$ |
| Segment income | | | | |
| Sale of gas | 75,120 | - | - | 75,120 |
| Interest received | - | - | 24,517 | 24,517 |
| Other income | - | - | 7,322 | 7,322 |
| Total income | 75,120 | - | 31,839 | 106,959 |
| Segment expenses | | | | |
| Cost of gas sold | (71,044) | - | - | (71,044) |
| Feasibility study costs | (153,660) | - | - | (153,660) |
| Inventory write down | (262,124) | - | - | (262,124) |
| Exploration expenditure written off | - | (2,045,937) | - | (2,045,937) |
| Net other costs | - | - | (1,347,281) | (1,347,281) |
| Loss before amortisation and depreciation | (411,708) | (2,045,937) | (1,315,442) | (3,773,087) |
| Amortisation and depreciation | (13,784) | - | (5,164) | (18,948) |
| Loss before income tax benefits | (425,492) | (2,045,937) | (1,325,606) | (3,792,035) |
| Segment assets and liabilities | | | | |
| Gas inventory assets | 890,000 | - | - | 890,000 |
| Other assets | 1,685,627 | 1,583,482 | 438,351 | 3,707,460 |
| Liabilities | - | - | (610,612) | (610,612) |
| Net assets | 2,575,627 | 1,583,482 | (172,261) | 3,986,848 |

Segment cashflows

| | | | | |
|-------------------|---|-----------|-------------|-------------|
| Operating | - | - | (1,254,522) | (1,254,522) |
| Investing | - | (428,807) | 75,120 | (353,687) |
| Financing | - | - | 1,137,838 | 1,137,838 |
| Net cash movement | - | (428,807) | (41,564) | (470,371) |

| 2010 | Electricity Generation \$ | Mineral Exploration \$ | Unallocated \$ | Consolidated \$ |
|------|---------------------------------|------------------------------|-------------------|--------------------|
|------|---------------------------------|------------------------------|-------------------|--------------------|

Segment income

| | | | | |
|---------------------|---|---|--------|--------|
| Sale of gas | - | - | - | - |
| Interest received | - | - | 85,922 | 85,922 |
| Other income | - | - | 9,282 | 9,282 |
| Total income | - | - | 95,204 | 95,204 |

Segment expenses

| | | | | |
|---|----------|---|-------------|-------------|
| Cost of gas sold | - | - | - | - |
| Feasibility study costs | (20,470) | - | - | (20,470) |
| Net other costs | - | - | (1,837,708) | (1,837,708) |
| Loss before amortisation and depreciation | (20,470) | - | (1,742,504) | (1,762,974) |
| Amortisation and depreciation | (15,536) | - | (22,866) | (38,402) |
| Loss before income tax benefits | (36,006) | - | (1,765,370) | (1,801,376) |

Segment assets and liabilities

| | | | | |
|----------------------|-----------|-----------|-----------|-----------|
| Gas inventory assets | 1,142,720 | - | - | 1,142,719 |
| Other assets | 1,674,180 | 3,200,015 | 1,093,495 | 5,967,690 |
| Liabilities | - | (4,984) | (112,380) | (117,364) |
| Net assets | 2,816,900 | 3,195,031 | 981,115 | 6,993,045 |

Segment cashflows

| | | | | |
|-------------------|-------------|-------------|-------------|-------------|
| Operating | (1,142,720) | - | (1,520,902) | (2,663,622) |
| Investing | - | (1,557,959) | (5,537) | (1,563,496) |
| Financing | - | - | 338,398 | 338,398 |
| Net cash movement | (1,142,720) | (1,557,959) | (1,188,041) | (3,888,720) |

Note 3 – Profit (Loss) Before Income Tax

| | Note | Consolidated | |
|---|------|--------------|----------|
| | | 2011 | 2010 |
| | | \$ | \$ |
| Profit (loss) before income tax is after crediting (charging) the following items | | | |
| Finance revenue – banks | | 24,517 | 85,922 |
| Sale of gas | | 75,120 | - |
| Cost of gas sold | | (71,044) | - |
| Depreciation of plant and equipment | | (18,948) | (38,402) |
| Legal costs | | (16,150) | (32,036) |
| Exploration expenditure written off | 10b | (2,045,937) | - |
| Inventory write down | | (262,124) | - |
| Feasibility study asset costs written off | | (153,660) | - |

Note 3(a) – Employee benefits

| | Consolidated | | |
|--|--------------|-----------|-------------|
| | 2011 | 2010 | |
| | | \$ | \$ |
| Wages and salaries | | (688,245) | (1,006,987) |
| Termination payment provision | | (120,000) | - |
| Employee entitlements: | | | |
| Provision for employee entitlements | | 22,524 | 29,975 |
| Share based payments - executive options | | - | (253,500) |
| Share based payments - employee options | | (48,000) | - |
| Total employee benefits | | (833,721) | (1,231,512) |

| | 2011 | 2010 |
|--|------|------|
| | \$ | \$ |

Note 4 – Income Tax

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 | - | - |
|---|---|---|

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 Consolidated entity's effective income tax rate for the years ended 30 June 2011 and 2010 is as follows:

| | 2011 | 2010 |
|--|-------------|-------------|
| | \$ | \$ |
| Accounting loss before tax from continuing operations | (3,792,035) | (1,801,376) |
| Tax at the statutory rate of 30% (2009: 30%): | (1,137,610) | (540,412) |
| Non-deductible expenses | 48,000 | 81,479 |
| Tax loss and temporary differences not brought to account as deferred tax assets | - | - |
| Less: | | |
| Non-assessable income | - | - |
| Adjustments for current tax of prior periods | - | 534 |
| Tax losses utilized which were not previously brought to account as a deferred tax asset | - | - |
| Effect of tax losses and tax offsets not recognised as deferred tax assets | (1,089,610) | (458,399) |
| Income tax expense recognised in profit or loss | - | - |

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**Note 4 – Income Tax
(continued)**

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| | CONSOLIDATED | | | | | |
|-------------------------------------|---------------------|------------------|--------------------|-------------|-------------|-------------|
| | Assets | | Liabilities | | Net | |
| | 2011 | 2010 | 2011 | 2010 | 2011 | 2010 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Exploration and evaluation assets | | - | | - | | - |
| Accruals | (10,148) | (7,682) | | - | (10,148) | (7,682) |
| Superannuation payable | - | (884) | | - | - | (884) |
| Employee entitlements | - | (8,472) | | - | - | (8,472) |
| Unearned income | - | - | | - | - | - |
| Capital raising | (81,049) | (103,246) | | - | (81,049) | (103,246) |
| Software | - | (312) | | - | - | (312) |
| Exploration costs | - | - | 475,045 | - | 475,045 | 960,005 |
| Tax losses | (383,848) | (839,409) | - | - | (383,848) | (839,409) |
| Tax (assets) liabilities | (475,045) | (960,005) | 475,045 | - | - | - |
| Set off of tax | 475,045 | 960,005 | (475,045) | - | - | - |
| Net tax (assets) liabilities | - | - | - | - | - | - |

Movements in temporary differences during the year

| | Balance 1 July 2010 | Recognised in Income | Recognised in Equity | Balance 30 June 2011 |
|-----------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Exploration and evaluation assets | 960,005 | (484,960) | - | 475,045 |
| Accruals | (7,682) | (2,466) | - | (10,148) |
| Superannuation payable | (884) | 884 | - | - |
| Employee entitlements | (8,472) | 8,472 | - | - |
| Capital raising | (103,246) | 22,197 | - | (81,049) |
| Software | (312) | 312 | - | - |
| Feasibility study | - | 36,878 | - | 36,878 |
| Tax losses | (839,409) | 418,683 | - | (420,726) |
| | - | - | - | - |

Movements in temporary differences during the year

| | Balance 1 July 2009 | Recognised in Income | Recognised in Equity | Balance 30 June 2010 |
|-----------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|
| Exploration and evaluation assets | 543,233 | 416,772 | - | 960,005 |
| Accruals | (6,308) | (1,374) | - | (7,682) |
| Employee entitlements | - | (884) | - | (884) |
| Unearned income | (17,465) | 8,993 | - | (8,472) |
| Capital raising | (45,847) | (57,399) | - | (103,246) |
| Software | - | (312) | - | (312) |
| Tax losses | (473,613) | (365,796) | - | (839,409) |

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

| | CONSOLIDATED | |
|--------------------------|---------------------|------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Tax losses Capitalised | 2,287,349 | 934,047 |
| feasibility project pool | - | 263,692 |
| | <u>2,287,349</u> | <u>1,197,739</u> |

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 Consolidated entity can utilise these benefits.

Tax Consolidation

Eneabba Gas Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity.

Note 5 - Cash and Cash Equivalents

| | Consolidated | |
|---|---------------------|----------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Reconciliation to Balance Sheets | | |
| Term deposit | - | 500,000 |
| Cash at bank | 394,921 | 364,462 |
| Cash on hand | - | 200 |
| Total cash and cash equivalents | <u>394,921</u> | <u>864,662</u> |

Reconciliation to Cash Flow Statements

| | | |
|---------------------------------|----------------|----------------|
| Term deposit | - | 500,000 |
| Cash at bank | 394,921 | 363,462 |
| Cash on hand | - | 200 |
| Total cash and cash equivalents | <u>394,921</u> | <u>864,662</u> |

For the purposes of the Statement of Cash Flow, 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 (2010 \$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.

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Note 7 – Inventories

| | Consolidated | |
|-------------|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Inventories | 890,000 | 1,142,719 |

Inventories comprise supplies of gas. These are valued at the lower of cost and net realisable value. Costs include transport. The Consolidated entity is not a gas trader. The gas inventory was written down to the net realisable value as at 30 June 2011.

Note 8 – Director Loans

| | Consolidated | |
|-----------------|--------------|------|
| | 2011 | 2010 |
| | \$ | \$ |
| Directors loans | 400,000 | - |

On 29 June Mr Goh, Mr Kuang and Mr Wan signed separate loan agreements with the Company on commercial terms. The loan agreements provides for an interest rate of 10%. The loans were supplied to assist the consolidated entity in meeting its working capital requirements. The loans are repayable by 30 November 2011.

Note 9 - Property, Plant and Equipment

| | Consolidated | |
|-------------------------------------|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Freehold land at cost | 1,547,572 | 1,547,572 |
| Fencing and fire mitigation at cost | 112,823 | 126,609 |
| Storage container | 1,914 | 2,125 |
| Furniture and fittings at cost | 9,964 | 14,952 |
| Total | 1,672,273 | 1,691,258 |

(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 | 1,547,572 | 1,547,572 |
| Additions | - | - |
| Transfer of fencing costs to fencing and fire mitigation | - | - |
| Disposals | - | - |
| Carrying amount at end of year | 1,547,572 | 1,547,572 |

Fencing and fire mitigation

| | | |
|--|----------|----------|
| Carrying amount at beginning of year | 126,609 | 142,145 |
| Additions | - | - |
| Transfer of fencing costs from freehold land | - | - |
| Depreciation expense | (13,786) | (15,536) |
| Carrying amount at end of year | 112,823 | 126,609 |

Storage container

| | | |
|--------------------------------------|-------|-------|
| Carrying amount at beginning of year | 2,125 | - |
| Transfer from assets held for sale | - | 2,364 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation expense | (211) | (239) |
| Carrying amount at end of year | 1,914 | 2,125 |

Furniture and fittings

| | | |
|--------------------------------------|---------|----------|
| Carrying amount at beginning of year | 14,952 | 32,044 |
| Additions | 1,260 | 5,538 |
| Disposals | (4,541) | - |
| Depreciation expense | (1,707) | (22,630) |
| Carrying amount at end of year | 9,964 | 14,952 |

Note 10 - Exploration and Evaluation Assets

| | Consolidated | |
|--|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Exploration and evaluation expenditure at cost | 3,629,419 | 3,200,015 |
| Exploration and evaluation expenditure written off | (2,045,937) | - |
| Total | 1,583,482 | 3,200,015 |

10(a) Reconciliations

| | 2011 | 2010 |
|---|-------------|-----------|
| | \$ | \$ |
| Exploration and evaluation expenditure | | |
| Carrying amount at beginning of year | 3,200,015 | - |
| Additions | 429,404 | 1,389,237 |
| Impairment ¹ | (2,045,937) | - |
| Amortisation | - | - |
| Transfer to assets held for sale | - | - |
| Transfer from assets held for sale | - | 1,810,778 |
| Carrying amount at end of year | 1,583,482 | 3,200,015 |

¹ - Exploration and evaluation expenditure was previously carried at cost. The consolidated entity released a number of tenements throughout the financial year and the impairment recorded represents the carrying amount of the tenements released by the consolidated entity.

Note 11 - Unearned Revenue

| | Consolidated | |
|--------------|---------------------|------|
| | 2011 | 2010 |
| | \$ | \$ |
| Lease income | 517 | 517 |

Note 12 - Provisions

| | | |
|-------------------------------------|----------------|---------------|
| Provision for employee entitlements | 33,828 | 28,241 |
| Provision for termination payment | 120,000 | - |
| Provision for payroll tax | - | 14,496 |
| Total provisions | 153,828 | 42,737 |

(a) Reconciliations**Provision for employee entitlements**

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 28,241 | 58,216 |
| Additions | 28,111 | 52,914 |
| Reductions | (22,524) | (82,889) |
| Carrying amount at end of year | 33,828 | 28,241 |

Provision for termination payment

| | | |
|---------------------------------------|----------------|---|
| Carrying amount at beginning of year | - | - |
| Additions | 120,000 | - |
| Carrying amount at end of year | 120,000 | - |

The provision for termination payment relates to a Deed of Release agreed between the consolidated entity and the former Managing Director's (Mark Babich) for the early termination of Mr Babich's employment contract.

Provision for payroll tax

| | | |
|---------------------------------------|----------|---------------|
| Carrying amount at beginning of year | 14,496 | - |
| Additions | - | 14,496 |
| Reductions | (14,496) | - |
| Carrying amount at end of year | - | 14,496 |

Note 13 - Contributed Equity

| | Parent | | Parent | |
|---------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2011 | 2010 | 2010 |
| | No. | \$ | No. | \$ |
| (i) Issued capital | | | | |
| Ordinary shares each fully paid | | | | |
| Balance at beginning of year | 78,323,013 | 10,451,196 | 74,690,213 | 10,255,109 |
| Shares issued during the year | | | | |
| - Share issue | 8,061,042 | 765,799 | 3,632,800 | 197,587 |
| - transaction costs of equity raising | - | (27,961) | - | (1,500) |
| Balance at end of year | 86,384,055 | 11,189,034 | 78,323,013 | 10,451,196 |

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.

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| | Strike price | 2011 | 2010 |
|-----------------------------------|--------------|-------------|--------------|
| | \$ | No. | No. |
| (ii) Share options | | | |
| Options on issue at start of year | various | 17,296,915 | 24,861,218 |
| Options issued during the year | | | |
| Date of issue | | | |
| 01 July 2008 | 0.00001 | - | - |
| 27 October 2008 | 0.15 | - | - |
| 30 June 2009 | 0.20 | - | - |
| 8 September 2009 | 0.20 | - | 15,100,249 |
| 21 December 2009 | 0.25 | - | 50,000 |
| 23 August 2010 ¹ | 0.15 | 2,687,013 | - |
| 23 August 2010 | 0.25 | 500,000 | - |
| 20 December 2010 | 0.20 | 1,200,000 | - |
| Options expired during the year | | | |
| Date of expiry | | | |
| 30 June 2009 | 0.30 | - | - |
| 30 June 2010 | 0.15 | - | (14,031,752) |
| 30 June 2010 | 0.00001 | - | (5,000,000) |
| 30 April 2010 | 0.25 | - | (50,000) |
| 23 August 2010 | 0.25 | (500,000) | - |
| 7 March 2011 | 0.25 | (1,200,000) | - |
| Options exercised during the year | | | |
| Date of exercise | | | |
| 5 August 2009 | 0.15 | - | (80,114) |
| 25 August 2009 | 0.15 | - | (53,333) |
| 29 September 2009 | 0.15 | - | (4,600) |
| 29 September 2009 | 0.25 | - | (250,000) |
| 12 November 2009 | 0.15 | - | (74,000) |
| 12 November 2009 | 0.20 | - | (3,334) |
| 12 November 2009 | 0.00001 | - | (2,500,000) |
| 28 January 2010 | 0.15 | - | (100,000) |
| 15 March 2010 | 0.15 | - | (20,000) |
| 30 April 2010 | 0.15 | - | (10,004) |
| 11 May 2010 | 0.15 | - | (169,567) |
| 15 June 2010 | 0.15 | - | (109,857) |
| 22 June 2010 | 0.15 | - | (39,580) |
| 25 June 2010 | 0.15 | - | (51,400) |
| 30 June 2010 | 0.15 | - | (167,011) |
| Options on issue at end of year | | 19,983,928 | 17,296,915 |

¹ – Listed options (“ENBOC”) were issued on 25 August 2010 as a free attaching option to the non-renounceable entitlements offer issue.

Note 14 - Option Reserve

| | Consolidated | |
|--------------------------|--------------|-----------|
| | 2011 | 2010 |
| | \$ | \$ |
| Balance at start of year | 1,024,840 | 629,029 |
| Additions | 48,000 | 414,502 |
| Cost of issue of options | - | (18,691) |
| Balance at end of year | 1,072,840 | 1,024,840 |

Note 15 - Share Based Payments

(a) Employee share option plan

The Consolidated entity has an ownership-based compensation scheme for executives and senior employees. In accordance with the terms of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase ordinary shares.

Each employee share option converts into one ordinary share of Eneabba Gas Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is calculated in accordance with the performance-based formula approved by shareholders at a previous annual general meeting and is subject to approval by the remuneration committee. The formula rewards executives and senior employees to the extent of the Consolidated entity's and the individual's achievement judged against both qualitative and quantitative criteria from the following financial and customer service measures:

- improvement in share price
- improvement in net profit
- improvement in return to shareholders
- reduction in warranty claims
- results of client satisfaction surveys
- reduction in rate of staff turnover

During the financial year, the following share-based payment arrangements were in existence:

| Option series | Number | Grant date | Expiry date | Exercise price | Fair value at grant date |
|---------------|-----------|------------|-------------|----------------|--------------------------|
| 1 | 500,000 | 23/8/2010 | 07/03/2011 | \$0.25 | 232 |
| 2 | 1,200,000 | 20/12/2010 | 30/06/2012 | \$0.20 | 48,000 |

Option series 1 have an exercise price of \$0.25 and an expiry date of 7 March 2011. The options vested on the date of issue.

Option series 2 are ENBOB options and consequently have the same terms as this class of option. The exercise price is \$0.20 and has an expiry date of 30 June 2012. Options vested on issue.

b) Fair values of share options granted in the year

The weighted average fair value of the share options granted during the financial year is \$0.04. Options were priced using a binomial option pricing model. Expected volatility is based on the historical share price volatility over the past 12 months.

| Inputs into the model | Option Series | |
|-------------------------|---------------|-----------|
| | Series 1 | Series 2* |
| Grant date share price | \$0.11 | \$0.08 |
| Exercise price | \$0.25 | \$0.20 |
| Expected volatility | 0.75 | 0.75 |
| Option life | 196 days | 557 days |
| Dividend yield | Nil | Nil |
| Risk-free interest rate | 5.06% | 5.06% |

Share option outstanding at the end of the year had an exercise price of \$0.20 (2010: \$0.25), and a weighted average remaining contractual life of 365 days (2010: 250 days).

*Series 2 options were listed options and the valuation was based on the latest price on the date of issue.

(c) Movements in share options during the year

| | 2011 No | 2011 WAEP \$ | 2010 No | 2010 WAEP \$ |
|--|-------------|--------------------|-------------|--------------------|
| Outstanding at the beginning of the year | 1,200,000 | 0.25 | 8,950,000 | 0.04 |
| Granted during the year | 1,700,000 | - | 50,000 | 0.25 |
| Forfeited during the year | - | - | - | - |
| Exercised during the year | - | - | (2,750,000) | 0.02 |
| Expired during the year | (2,900,000) | 0.25 | (5,050,000) | 0.05 |
| Outstanding at the end of the year | - | - | 1,200,000 | 0.25 |

(WAEP: Weighted Average Exercise Price)

Note 16 - Financial Risk Management

The Consolidated entity is not exposed to any material financial risk. To ensure a prudent approach to risk management the Consolidated entity'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 Consolidated entity'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 Consolidated entity. The Consolidated entity has used a sensitivity analysis to determine the Consolidated entity'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 Consolidated entity is not currently exposed to foreign exchange risk as all financial transactions are currently in Australian dollars.

ii) Price risk

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

The Consolidated entity has a fixed interest term deposit facility with a secure banking institution to maximize its interest income from surplus cash. The Consolidated entity 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 \$0 higher or lower (2010: \$6,000 higher or lower); these changes to profit would have been reflected in the Statement of Comprehensive Income.

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**Note 16 – Financial risk management
(Continued)**

iv) Summarised sensitivity analysis

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

| 2011 | Carrying amount | Interest rate risk | | | |
|------------------------------------|-----------------|--------------------|-----------------|-----------------|-----------------|
| | | -100 bps Profit | -100 bps Equity | +100 bps Profit | +100 bps Equity |
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Financial assets | | | | | |
| Cash and cash equivalents | 394 | - | - | - | - |
| Director loans | (400) | - | - | - | - |
| Total increase / (decrease) | (6) | - | - | - | - |
| | | | | | |
| 2010 | Carrying amount | Interest rate risk | | | |
| | (\$'000) | -100 bps Profit | -100 bps Equity | +100 bps Profit | +100 bps Equity |
| | (\$'000) | (\$'000) | (\$'000) | (\$'000) | (\$'000) |
| Financial assets | | | | | |
| Cash and cash equivalents | 864 | (6) | (6) | 6 | 6 |
| Total increase / (decrease) | 864 | (6) | (6) | 6 | 6 |

(b) Credit risk

Credit risk is managed on a Consolidated entity basis. Credit risk arises from cash and cash equivalents and deposits with banks. The Consolidated entity 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 Consolidated entity and the Company monitor liquidity risk by continuously monitoring forecast and actual cash flows to ensure there are appropriate plans in place to finance future cash flows.

(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 Consolidated entity in 2011 or 2010. The fair value of financial liabilities for disclosure purposes is not discounted.

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Note 17 - Financial Instruments

The Consolidated 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 | |
|-------------------------|-------------------------|----------------|----------------------|-----------------|-----------------|----------------|--|-------------|
| | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 \$ | 2010 \$ | 2011 % | 2010 % |
| Financial assets | | | | | | | | |
| Cash | - | 889,262 | 394,921 | 400 | 394,251 | 889,662 | - | 4.43 |
| Receivables | - | - | - | 15,131 | - | 15,131 | - | - |
| Payables | (400,000) | - | (56,267) | (74,110) | (456,267) | (78,110) | 10.0 | - |
| Total | (400,000) | 889,262 | 338,654 | (58,579) | (62,016) | 826,683 | 10.0 | 4.43 |

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 18 - Commitments

| | Consolidated | |
|--|----------------|------------------|
| | 2011 \$ | 2010 \$ |
| (a) Operating lease commitments | | |
| Expenditure contracted for but not provided at balance date and payable: | | |
| Not later than one year | 146,451 | 141,785 |
| Later than one year but not later than five years | 12,204 | 153,601 |
| Later than five years | - | - |
| Total operating lease commitments | 158,655 | 295,386 |
| (b) Interests in jointly controlled operations¹ | | |
| Commitments relating to Joint Venture Operations – Not later than one year | | |
| Share of due diligence phase expenses | - | 1,000,000 |
| Total interests in jointly controlled operations commitments | - | 1,000,000 |

¹ The joint venture with Cougar Energy was terminated on 30 June 2011.

(c) Exploration commitments

The required minimum expenditure within 12 months for the Eneabba Consolidated entity's mineral tenements is \$140,000, which amount is expected to be expended through proposed drilling programmes and also work already carried out by or on behalf of the Consolidated entity.

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.

Note 19 – Auditors' Remuneration

| | Consolidated | |
|---|---------------|---------------|
| | 2011 | 2010 |
| | \$ | \$ |
| During the year the auditor of the parent entity and its related practices earned the following remuneration. | | |
| Audit or review of Consolidated entity entities – PKF | - | 15,001 |
| Audit or review of Consolidated entity entities – Deloitte | 46,000 | 30,000 |
| Total | 46,000 | 45,001 |

Note 20 - Related Party Transactions

Controlled Entities

Investments in controlled entities comprise:

| Name | Principal activities | Beneficial percentage held by economic entity | |
|-----------------------------------|--------------------------------|---|------|
| | | 2011 | 2010 |
| | | % | % |
| Eneabba Gas Limited | Parent 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. Eneabba Gas Limited is the head entity of the tax consolidated group, which includes all of the controlled entities.

Accounting and secretarial services

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

Key management personnel compensation

The aggregate compensation made to key management personnel of the Consolidated entity is set out below:

| | Year ended 30 June 2011 | Year ended 30 June 2010 |
|------------------------------|----------------------------|----------------------------|
| | \$ | \$ |
| Short-term employee benefits | 433,819 | 474, |
| Post-employment benefits | 36,239 | 43,082 |
| Early termination payments | 120,000 | - |
| Share-based payment | - | 253,500 |
| Total | 590,058 | 770,676 |

The compensation of each member of the key management personnel of the Consolidated entity is set out on the remuneration report on page 19.

Directors Loans

The directors loans are set out in note 8.

Other officers

The Company has paid fees of \$10,964 to Cranley Consulting, a company in which the Company Secretary P Lewis has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

The Company has paid fees of \$44,625 to SLR Consulting Pty Ltd, a company in which the former Company Secretary S L Robertson has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

Other information

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 2010 | Received as Remuneration | Options Exercised | Other Movements | Balance at 30 June 2011 |
|--------------------------------|---------------------------|-----------------------------|----------------------|--------------------|----------------------------|
| Parent entity directors | | | | | |
| T L Goh ¹ | 5,733,703 | - | - | - | 5,733,703 |
| K S Kuang | 9,991,910 | - | - | 1,665,318 | 11,657,228 |
| K C Wan ² | 3,500,000 | - | - | - | 3,500,000 |
| J I Arndell ³ | - | - | - | - | - |
| M H Babidge ⁴ | 7,170,001 | - | - | 100,000 | 7,270,001 |
| R N Gillard ⁵ | 2,600,000 | - | - | 250,000 | 2,850,000 |
| C E Bennett ⁶ | 240,000 | - | - | 33,333 | 273,333 |

1 T L Goh was appointed as a director on 12 May 2011. The opening balance is as at that date.

2 K C Wan was appointed as a director on 12 May 2011. The opening balance is as at that date.

3 J I Arndell was appointed as a director on 27 May 2011. The opening balance is as at that date.

4 M H Babidge resigned as a director 10 May 2011. The closing balance is as that date. M H Babidge was paid a termination payment of \$120,000 on 2 July 2011 (after balance date)

5 R N Gillard retired as director on 25 February 2011. The closing balance shown is at that date.

6 C E Bennett retired as director on 12 May. The closing balance shown is at that date.

7 P R Oates not included as resigned 23 March 2010.

| | Balance at 1 July 2009 | Received as Remuneration | Options Exercised | Other Movements | Balance at 30 June 2010 |
|--------------------------------|---------------------------|-----------------------------|----------------------|--------------------|----------------------------|
| Parent entity directors | | | | | |
| K S Kuang | 9,991,910 | - | - | - | 9,991,910 |
| M H Babidge | 5,000,001 | - | 2,500,000 | (330,000) | 7,170,001 |
| C E Bennett | 200,000 | - | 40,000 | - | 240,000 |
| R N Gillard | 2,600,000 | - | - | - | 2,600,000 |
| P R Oates | 125,000 | - | - | 50,000 | 175,000 |

Option holdings

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

| | Balance at 1 July 2010 | Received as Remuneration | Options Exercised | Other Movements | Balance at 30 June 2011 | Vested and exercisable at year end |
|--------------------------------|---------------------------|-----------------------------|----------------------|--------------------|-------------------------------|--|
| Parent entity directors | | | | | | |
| T L Goh ¹ | 1,527,778 | - | - | - | 1,527,778 | 1,527,778 |
| K S Kuang | 1,687,333 | - | - | 555,106 | 2,242,439 | 2,242,439 |
| K C Wan ² | 907,168 | - | - | - | 907,168 | 907,168 |
| J I Arndell ³ | - | - | - | - | - | - |
| M H Babidge ⁴ | 1,250,000 | - | - | 83,333 | 1,333,333 | 1,333,333 |
| R N Gillard ⁵ | 1,766,667 | - | - | 33,333 | 1,800,000 | 1,800,000 |
| C E Bennett ⁶ | 1,033,334 | - | - | 11,111 | 1,044,445 | 1,044,445 |

1 T L Goh was appointed as a director on 12 May 2011. The opening balance is as at that date.

2 K C Wan was appointed as a director on 12 May 2011. The opening balance is as at that date.

3 J I Arndell was appointed as a director on 27 May 2011. The opening balance is as at that date.

4 M H Babidge resigned as a director 10 May 2011. The closing balance shown is at that date.

5 R N Gillard retired as director on 25 February 2011. The closing balance shown is at that date.

6 C E Bennett resigned as director on 12 May 2011. The closing balance shown is at that date.

| | Balance at 1 July 2009 | Received as Remuneration | Options Exercised | Other Movements | Balance at 30 June 2010 | Vested and exercisable at year end |
|--------------------------------|---------------------------|-----------------------------|----------------------|--------------------|-------------------------------|--|
| Parent entity directors | | | | | | |
| M H Babidge | 8,500,001 | - | (2,500,000) | (4,750,001) | 1,250,000 | 1,250,000 |
| C E Bennett | 40,000 | - | (40,000) | 1,033,334 | 1,033,334 | 1,033,334 |
| R N Gillard | 520,000 | - | - | 1,246,667 | 1,766,667 | 1,766,667 |
| K S Kuang | 3,379,635 | - | - | (1,692,302) | 1,687,333 | 1,687,333 |
| P R Oates | 10,000 | - | - | 166,667 | - | 176,667 ¹ |

1 P R Oates retired as director on 24 March 2010. The balance shown is at that date.

2 K S Kuang was appointed as a director on 18 September 2009. The opening balance is as at that date.

Note 21 - Earnings per Share

| | Consolidated | |
|--|---------------|---------------|
| | 2011 Cents | 2010 Cents |
| Basic earnings (loss) per share | (4.45) | (2.35) |
| Diluted earnings (loss) per share | (4.45) | (2.35) |
| | Number | Number |
| Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share | 85,213,548 | 76,711,481 |
| Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share | 85,213,548 | 76,711,481 |

The options on issue are anti-dilutive and as such does not affect diluted EPS.

Note 22 - Subsequent Events

As announced to the ASX on 27 September 2011, the Company has agreed to a capital raising for \$1.8m.

The capital raising consists of three separate but connected capital raising events.

- i) A private placement of 11.8m shares raising \$353k on 27 September 2011 (completed);
- ii) A one for two rights issue issuing 49.1m shares raising \$1.5m (due late Oct 2011); and
- iii) A top-up placement of 42m shares to the underwriters or nominees raising a total of up to \$1.2m (dependent on rights issue take up), due within 3 days after rights issue.

In combination with the funds raised from the placement of ordinary shares announced to the market on 27 September 2011 (Placement), capital raised under the capital raisings events will be used by the Company to fund its:

- Continued exploration of the Sargon tenement;
- Ongoing review of opportunities to pursue;
- Funding of the costs of seeking out, researching and reviewing new investment opportunities for the Company;
- Repayment of Director loans;
- Continue development work on the proposed 168 MW Centauri 1 Gas-fired Power Station near Dongara, Western Australia
- Working capital requirements; and
- Payment of the costs of the capital raising.

The board believes that the completion of the capital raised will establish the capacity to continue the current strategy for the consolidated entity and will position the consolidated entity well for the future evaluate further project opportunities and to enhance shareholder returns.

No other 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.

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| | Consolidated | |
|---|---------------------|--------------------|
| | 2011 | 2010 |
| | \$ | \$ |
| Note 23 - Reconciliation of Profit (loss) from Operations to Net Cash Flows used in Operations | | |
| Profit (loss) from operations | (3,792,035) | (1,801,376) |
| Adjustments for: | | |
| Depreciation | 15,704 | 38,402 |
| Loss on disposal of property, plant and equipment | 4,541 | - |
| Share option expense | 48,000 | 253,500 |
| Feasibility study asset costs expensed | - | 20,470 |
| Exploration assets written off | 2,045,937 | |
| Changes in assets and liabilities: | | |
| (Increase) / Decrease in inventories | 252,719 | (1,142,720) |
| (Increase) / Decrease in trade and other receivables | 15,131 | 6,978 |
| (Increase) / Decrease in prepayments | 139,840 | (28,288) |
| Increase / (Decrease) in trade and other payables | (17,843) | 4,891 |
| Increase / (Decrease) in provision for employee benefits | 111,091 | (29,975) |
| Increase / (Decrease) in provision for payroll tax | | 14,496 |
| Net cash flows used in operations | (1,176,915) | (2,663,622) |

Note 24 – Contingent Liabilities

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

Note 25 – Parent Entity Disclosures

| | 2011 | 2010 |
|-----------------------------------|--------------------|-------------------|
| | \$ | \$ |
| Financial position | | |
| Assets | | |
| Current Assets | 400,655 | 889,153 |
| Non-Current Assets | 2,585,760 | 9,228,029 |
| Total Assets | 2,986,415 | 10,117,182 |
| Liabilities | | |
| Current Liabilities | 607,081 | 111,863 |
| Total Liabilities | 607,081 | 111,863 |
| Equity | | |
| Contributed equity | 11,189,034 | 10,451,196 |
| Accumulated losses | (9,882,540) | (1,470,717) |
| Option reserve | 1,072,840 | 1,024,840 |
| Total Equity | 2,379,334 | 10,005,319 |
| Financial Performance | | |
| Loss for the year | (8,411,822) | (470,442) |
| Other comprehensive income | - | - |
| Total comprehensive income | (8,411,822) | (470,442) |

Note 26 – Going Concern

The directors are satisfied that the going concern basis of preparation is appropriate. This financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The consolidated entity and parent entity had incurred losses for the year ended 30 June 2011 of \$3,792,035 and \$8,411,822 respectively, had a consolidated entity working capital surplus of \$706,093 and parent entity working capital deficiency of \$206,426 and had experienced combined consolidated and parent cash outflows from operating and investing activities of \$1,608,209 and \$4,227,118 respectively.

The directors have prepared cash flow forecasts that indicate the company and consolidated entity are dependent on securing further funding through capital raisings in order to have sufficient cash flows to meet working capital requirements, and minimum spend on tenements in order to retain them. The company and consolidated entity require the capital raising referred to below to be successfully completed by mid November 2011.

As announced to the ASX on 27 September 2011, the Company is conducting a fully underwritten capital raising for a minimum amount of \$1.824 million (before costs).

The capital raising consists of three separate but connected capital raising events, as follows:

i) A private placement of 11.8 million shares raising \$357k (before costs) on 27 September 2011 (completed);

ii) A one for two entitlements issue issuing 49.1 million shares raising \$1.47 million (before costs) (due mid to late November 2011); and

iii) A top-up placement of 42 million shares to the underwriters or nominees raising a total of up to \$1.26 million. This top-up placement will only be completed if required. The cash flow forecasts prepared by the directors do not contemplate the completion of this element of the capital raising as sufficient cash will be available to meet all minimum expenditure commitments based on the capital raising of \$1.824 million.

The Underwriting Agreement signed on 22 September 2011 is subject to the usual termination clauses. At the date of signing this financial report the underwriters have confirmed that no material breaches have occurred that would render the termination of the Underwriting Agreement.

Based on these circumstances at the date of signing this financial report, the company believes it has secured sufficient funds subsequent to 30 June 2011 to meet all minimum expenditure commitments for a period of at least 12 months from the date of signing the financial report.

In combination with the funds raised from the placement of ordinary shares announced to the market on 27 September 2011 (Placement), the capital raised under the capital raising events will be used by the Company to fund its:

- Continued exploration of the Sargon tenement;
- Ongoing review of opportunities to pursue;
- Funding of the costs of seeking out, researching and reviewing new investment opportunities for the Company;
- Repayment of Director loans;
- Continue development work on the proposed 168 MW Centauri 1 Gas-fired Power Station near Dongara, Western Australia
- Working capital requirements; and
- Payment of the costs of the capital raising.

The board believes that the completion of the capital raised will establish the capacity to continue the current strategy for the Company and will position the Company well for the future to evaluate further project opportunities and to enhance shareholder returns.

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 2011 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 2011.

On behalf of the Board



Managing Director
28 September 2011

Independent Auditor's Report to the Members of Eneabba Gas Limited

Report on the Financial Report

We have audited the accompanying financial report of Eneabba Gas Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 52.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply 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. Those 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 of the financial report that gives a true and fair view, 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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Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Eneabba Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 16 to 20 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Eneabba Gas Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff

Partner

Chartered Accountants

Perth, 28 September 2011

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SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 27 September 2011.

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 & Lai Wah Kuang | 11,657,228 |
| Lewis Lick Wei Wu | 9,886,491 |
| Thomas Lik Cheng Goh | 5,733,703 |

Distribution of holders of equity securities

| Size of Holding | Ordinary Shares | 20 cent Options | 15 cent Options |
|-------------------|-----------------|-----------------|-----------------|
| 1 to 1,000 | 17 | 0 | 84 |
| 1,001 to 5,000 | 112 | 87 | 55 |
| 5,001 to 10,000 | 204 | 37 | 22 |
| 10,000 to 100,000 | 408 | 53 | 25 |
| 100,001 and over | 94 | 32 | 7 |
| | 835 | 209 | 193 |

The number of shareholdings comprising less than a marketable parcel was 128.

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 as at 27 September 2011 | Number of Shares | % Held |
|---|------------------|--------|
| Kuang Koo Sing + Lai Wah* | 11,633,895 | 13.47% |
| Dbv Vickers Sec Singapore | 9,886,491 | 11.44% |
| Goh Thomas Lik Cheng | 5,633,703 | 6.52% |
| Wan Kar Chan + Yin | 3,500,000 | 4.05% |
| Saunders John Milton* | 2,565,000 | 2.97% |
| Amalgamation Sale & Takeo | 2,450,000 | 2.84% |
| Lee Clara Lin-K'un | 2,333,333 | 2.70% |
| Hong Wee Kee | 2,170,000 | 2.51% |
| Nugent Owen William + M* | 1,750,000 | 2.03% |
| Lee Fui Howe | 1,633,333 | 1.89% |
| Teo Augustine Chew Teck | 1,341,666 | 1.55% |
| Ecsel Pl | 1,248,400 | 1.45% |
| Mews Yvonne | 1,094,917 | 1.27% |
| Takam Pl | 1,038,238 | 1.20% |
| Soares Michelle Lourdes* | 1,000,000 | 1.16% |
| Kwek Michael + Jennie* | 849,400 | 0.98% |
| Citicorp Nom Pl | 827,500 | 0.96% |
| Ruschmann Hldgs Pl | 715,000 | 0.83% |
| Saunders John Milton | 700,000 | 0.81% |
| Mok Lai Heng* | 641,666 | 0.74% |
| | 53,012,542 | 61.37% |

* Denotes merged holder

SHAREHOLDER INFORMATION (continued)

Twenty Largest Option holders as at 27 September 2011

| Options exercisable at 20 cents expiring 30 June 2012 | Number of Options | % Held |
|---|-------------------|--------|
| Kuang Koo Sing + Lai Wah* | 1,687,333 | 9.76% |
| Gillard Reginald Norman* | 1,500,000 | 8.67% |
| Goh Thomas Lik Cheng | 1,250,000 | 7.23% |
| Ben Super Pl | 1,033,334 | 5.97% |
| Westblade Diedre Ruth | 800,000 | 4.63% |
| Wu Lewis Lick-Wei | 790,921 | 4.57% |
| Dbs Vickers Sec Singapore | 751,667 | 4.35% |
| Wan Kar Chan + Yin | 640,501 | 3.70% |
| Screaigh Peter Mervyn* | 623,834 | 3.61% |
| Saunders John Milton* | 500,000 | 2.89% |
| Kalice Pl | 500,000 | 2.89% |
| Lexan Pl | 500,000 | 2.89% |
| Fudge Susan Lee* | 450,000 | 2.60% |
| Hong Wee Kee | 373,109 | 2.16% |
| Lee Clara Lin-K'un | 333,334 | 1.93% |
| Balcatta Boys Pl* | 266,667 | 1.54% |
| Marsh Thea Therese | 250,000 | 1.45% |
| Ecsel Pl | 250,000 | 1.45% |
| Lee Fui Howe | 233,334 | 1.35% |
| Robinson Kevin | 216,667 | 1.25% |
| | 12,950,701 | 74.89% |

* Denotes merged holder

Twenty Largest Option holders as at 27 September 2011

| Options exercisable at 15 cents expiring 30 June 2013 | Number of Options | % Held |
|---|-------------------|--------|
| Kuang Koo Sing + Lai Wah* | 553,995 | 20.62% |
| Goh Thomas Lik Cheng | 553,995 | 10.34% |
| Dbs Vickers Sec Singapore | 277,778 | 7.76% |
| Wan Kar Chan + Yin | 208,535 | 6.20% |
| Takam Pl | 166,667 | 4.80% |
| Lee Clara Lin-K'un | 129,080 | 4.14% |
| Bradley Nom Pl | 111,111 | 3.85% |
| Screaigh Peter Mervyn* | 103,409 | 3.11% |
| Nugent Owen William + M* | 83,464 | 3.10% |
| Lee Fui Howe | 83,333 | 2.89% |
| Teo Augustine Chew Teck | 77,778 | 2.38% |
| Wu Lewis Lick-Wei | 63,889 | 1.96% |
| Jyz Pair Pl | 52,728 | 1.87% |
| Kwek Michael + Jennie* | 50,265 | 1.49% |
| Kwan Kau Ling | 40,000 | 1.24% |
| Screaigh Peter + Janette | 33,334 | 1.24% |
| Gillard Reginald Norman* | 33,333 | 1.24% |
| Mok Lai Heng* | 33,333 | 1.14% |
| Hong Wee Kee | 30,555 | 0.93% |
| Davsms Inv Pl | 24,874 | 0.86% |
| | 2,180,461 | 81.16% |

* Denotes merged holder

TENEMENT SUMMARY

| Tenement Particulars | Registered holder | Shares | Initial Term Commenced | Initial Term Expires | Blocks |
|----------------------|-------------------|--------|------------------------|----------------------|--------|
| EL 70/2758 | EMPL | 100 | 15/11/2005 | 14/11/2010 | 70 |
| WA-8-EOS | EMPL | 100 | 01/01/2011 | 14/11/2011 | 10 |

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