



ENEABBA GAS LIMITED

ABN 69 107 385 884

ANNUAL REPORT
for the year ended 30 June 2012

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CONTENTS

CORPORATE INFORMATION	1
LETTER FROM THE CHAIRMAN	2
DIRECTORS' REPORT	3
CORPORATE GOVERNANCE STATEMENT	14
AUDITOR'S INDEPENDENCE DECLARATION.....	17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	19
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	20
CONSOLIDATED STATEMENT OF CASH FLOWS	21
NOTES TO THE FINANCIAL STATEMENTS.....	22
DIRECTORS' DECLARATION	46
INDEPENDENT AUDITOR'S REPORT	47
ASX ADDITIONAL INFORMATION	49
SCHEDULE OF MINING TENEMENTS	51

This Annual Report covers Eneabba Gas Limited ("Eneabba" or the "Company") as a Group consisting of Eneabba Gas Limited and its subsidiaries, collectively referred to as the "Group". The financial report is presented in Australian currency.

Eneabba Gas Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Eneabba Gas Limited
Suite 2
12 Parliament Place
West Perth WA 6005

The Company has the power to amend and reissue the financial report.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CORPORATE INFORMATION

Directors:

John Arndell
Non-Executive Chairman

Thomas Goh
Non-Executive Director

Morgan Barron
Non-Executive Director

Greg Allen
Non-Executive Director

Company Secretary:

Brett Tucker

Auditors:

HLB Mann Judd
Level 4, 130 Stirling Street
PERTH WA 6000

Bankers:

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000

Solicitors:

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Registered & Principal Office:

Suite 2, 12 Parliament Place
WEST PERTH WA 6005
Telephone: + 618 9321 0099
Facsimile: + 618 9482 0505
Email: info@eneabbagas.com.au
Website: www.eneabbagas.com.au

Postal Address:

P.O. Box 902
WEST PERTH WA 6872

Home Securities Exchange:

Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

ASX Code:

ENB (Ordinary Shares)
ENBOC (Options)^A

Share Registry:

Security Transfers Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

^A ENBOC - Options exercisable at 15 cents
expiring 30 June 2013

ENEABBA GAS LIMITED
ABN: 69 107 385 884

LETTER FROM THE CHAIRMAN

Dear Shareholder,

On behalf of the Directors of Eneabba Gas Limited ("Eneabba" or the "Company"), I am pleased to present the Annual Report of Eneabba Gas Limited for the year ended 30 June 2012.

The Company has undergone a significant transition in the current year with the concurrent recapitalisation and restructuring of the board at the end of 2011.

Since this time, the new Board has been successful in significantly reducing the cash expenditure of the Company whilst continuing to develop its current projects and investigating new opportunities in the energy and resources sector in order to increase shareholder value.

The Directors have been diligently investigating potential sources of funding in order to realise value from the Company's Sargon underground coal gasification ("UCG") and Centauri-1 Power Station projects, including discussions with international investors. The Directors are hopeful of reaching a satisfactory agreement which will enable the Company to reap the benefits from the significant investment into its projects over the past years.

Further to this, the Company is progressing with the evaluation of the Sargon coal resource, specifically, its suitability for UCG, through the drilling of a baseline monitoring well currently scheduled to occur within the next two months.

This upcoming drill programme signals the Company's intention to develop the first UCG project in Western Australia and will further improve the Company's current technical knowledge of the Sargon tenement. The data from this ground water review will be instrumental in funding discussions with parties interested in the project and in advancing to the next step towards a UCG pilot project.

Another positive event has been execution of the gas sale agreement in March 2012 and the subsequent sale of all inventory gas at a premium to the price available under the previous gas swap agreement.

My fellow board members and I thank you for your support during the financial year and wish to reiterate our commitment to creating a successful company that rewards shareholders.

We look forward to your continued support.

Yours faithfully,



John I Arndell
Non-Executive Chairman
22 August 2012

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report on the Company and its subsidiaries, for the year ended 30 June 2012.

DIRECTORS

The names and details of Directors in office at any time during or since the end of the year and until the date of this report are as follows:

Directors were in office for this entire period unless otherwise stated.

John I Arndell B.Com, CA. - Non-Executive Chairman

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

Mr Arndell has been a partner in a number of chartered accounting practices operating both nationally and internationally and specialised 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.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Thomas L. Goh, B.Sc - Non-Executive Director

EXPERIENCE AND EXPERTISE

Mr Goh 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, Mr Goh rose to position of Manager at an early age with a US seismic 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 and gas company, he continued contributing much of his technical expertise directly to joint ventures to achieve successful exploration objectives. Furthermore, Mr Goh has initiated several vital corporate strategies, which included technical evaluations, commercial negotiations, sale and acquisition of petroleum interests.

Mr Goh co-founded Eneabba Gas Limited in 2004, 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 generation project to the point where operation licences and all other necessary statutory approvals were obtained.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT (CONTINUED)

Morgan Barron, B.Com (UWA), C.A. S.A.Fin (appointed 29 September 2011)
Non-Executive Director

EXPERIENCE AND EXPERTISE

Mr Barron is a director of Corporate Advisory firm Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialise in the provision of corporate and financial advice to junior resource companies. Morgan is a qualified Chartered Accountant who has worked in various corporate roles both in Australia and Europe. Whilst at Ventnor Capital Pty Ltd he has been involved in a number of director and company secretarial functions and ASX junior transactions.

Mr Barron holds a Bachelor of Commerce Degree, is an Associate of the Securities Institute of Australia, and an Associate of the Institute of Chartered Accountants in Australia. After graduating from UWA he started his career at Horwath and then KPMG. Once qualified, he made the move to London where he gained experience in Banking and European acquisitions for a US listed Investment bank, providing him with a strong commercial, financial and management background.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Non-Executive Director – Strickland Resources Limited

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Non-Executive Director – Epic Resources Limited (appointed 15 November 2010, resigned 5 September 2011)

Non-Executive Director – ZYL Limited (appointed 3 December 2009, resigned 13 December 2010)

Greg Allen, B.Eng (RMIT), MBA (appointed 29 September 2011)
Non-Executive Director

EXPERIENCE AND EXPERTISE

Mr Allen has over fifteen years of experience across a range of technology and engineering related industries. He has held senior management and executive responsibility for operational, business development and administrative functions at sizable private and publicly listed companies.

In his current role with Carnegie Wave Energy Limited, Mr Allen oversees all technology development and commercialisation activities at Carnegie. Prior to joining Carnegie, Mr Allen was a Senior Manager for Wesfarmers' remote power generation business specialising in remote unattended power system ownership, operation and maintenance for regional towns and resource operations. Additionally, Mr Allen was previously Chief Operating Officer of an ASX-listed company involved in the commercialisation of solar energy based water pumping and reverse osmosis technologies and was Operations Manager of a heat transfer equipment engineering and service company.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Koo Sing Kuang - Chairman and Non-Executive Director (resigned 29 September 2011)

EXPERIENCE AND EXPERTISE

Mr 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.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT (CONTINUED)

Mr Kuang 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.

Kar C Wan - Non Executive Director (resigned 29 September 2011)

EXPERIENCE AND EXPERTISE

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.

Company Secretary

Brett Tucker BCom (UWA), C.A.

EXPERIENCE AND EXPERTISE

Brett has a strong accounting background gained from experience in an international accounting practice, working in both audit and taxation. Brett has exposure to a wide range of industries with a focus on junior resource companies.

PRINCIPAL ACTIVITIES

The principal activities of Eneabba Gas Limited ("Eneabba" or the "Company") during the financial year were the evaluation of the Sargon UCG coal resource, progressing towards the commencement of construction of the proposed 168 MW Centauri-1 Power Station near Dongara, Western Australia and the evaluation of additional resource and energy projects.

RESULTS

The net consolidated loss attributable to the Company for the year ended 30 June 2012 amounted to \$703,469 (2011: loss \$3,792,035). The net loss relates to exploration costs, power plant feasibility costs, share based payments, write down in inventory gas as well as administration costs relating to an ASX listed entity.

DIVIDENDS

There were no dividends paid or declared during the year.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW

Overview

The Company was established in early 2004. The Company's head office is located in the capital city of Perth, Western Australia and its main assets, being Company owned land and its JORC coal resource are in Regional Western Australia. The main location, the site of the proposed Centauri-1 power station, is some 4,800 acres 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 (the APA Group Parmelia Gas Pipeline) running through the land.

The Company has approvals to construct the proposed Centauri-1, gas-fired power station including power generation licensing, environmental approvals, planning and zoning, as well as State Government approvals. The Company is now searching for a firm energy off-take agreement and funding to begin construction.

Following the recapitalisation and board restructure that occurred in the first half of the 2012 financial year, the Company is now focused on securing funding to develop its Sargon Coal and Power Station projects and on identifying new opportunities in the resources and energy sector.

Energy Assets Review

Gas Inventory

The Company sold its total inventory gas of 176TJ during the current year for a total of \$791,860. The inventory gas was previously held under a Gas Swap Agreement with Verve Energy which has now been closed out.

The sale agreement for the Company's inventory gas was executed at a premium to the price available under the previous Gas Swap Agreement.

The Company has no inventory gas remaining at 30 June 2012.

Moreover, the Company has terminated its contract for gas storage at the APA Group's Moondarra Gas Storage Facility.

Sargon UCG Project

A wholly owned subsidiary of the Company, Eneabba Mining Pty Ltd holds the Sargon Coal Tenement (E70/2758).

The Tenement is 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 65 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.

Eneabba has worked diligently to define a significant coal resource on the Tenement, with the final total JORC¹ resource result in the northern section of the Tenement as determined by Xenith Consulting Pty Ltd ("Xenith"), being:

	Million Tonnes	MJ /kg	PJ in-situ
Total Inferred	74	15.75	1,875 PJ
Total 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 Tenement. It has found that, 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 in-situ energy.

The current resource is based on a limited exploration programme and remains undefined to the south of the tenement which provides scope for a resource upgrade following further drilling.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT (CONTINUED)

The Company has previously engaged technical specialists to assess the suitability of the Tenement for underground coal gasification. These specialists have found that coal seam characteristics necessary for a successful UCG process are present within the Tenement, namely:-

- Depth of coal seam; 129m to +400m, is within ideal range for UCG;
- Seam thickness is greater than 2 metres;
- Ash content of 20% is below the maximum threshold for UCG;
- Continuity of coal seam with minimal disruption / faulting;
- The deposit is downstream of the nearby Allanooka Borefield which is also protected from contamination by a deep graben structure; and
- Detailed hydrogeology and packer testing has been performed on all of the aquifers impacting on the tenement.

A successful UCG process could potentially provide syngas to be used as a low cost feedstock to the Company's nearby Centauri-1 Power Station or it can be further processed and refined to produce a wide range of gases, liquid fuels or chemicals.

Syngas can be combined with a gas-to-liquid process (e.g. the Fischer-Tropsch process) to produce super clean synthetic diesel, aviation fuel and other fuels. Gas-to-liquids technology is well established and is operating successfully at a known facility in Queensland, Australia with a production target of 20,000 barrels of diesel fuel per day.

The Department of Mines and Petroleum ("DMP") has previously granted its Programme of Work ("PoW") approval for exploration on the Tenement. The Company has scheduled the drilling of a baseline water well on the Tenement in the upcoming quarter as recommended and approved by the W.A. Department of Water.

The data from the baseline monitoring hole will provide a further understanding of the groundwater environment so potential changes as a result of the proposed UCG pilot can be documented and assessed. This will allow for the verification of environmental aspects of a pilot burn as well as provide input to modelling of the impact on groundwater from the proposed pilot and subsequent project production.

Power Generation / Centauri-1 Power Station

An important recent development for the Company occurred on 27 January 2012 with the Western Power Mid West Energy Project (MWEP) being granted regulatory approval by the Economic Regulation Authority (ERA). The MWEP is one of the most important infrastructure projects in Western Australia. It will provide the capacity to meet increasing demand for electricity in the Mid West and provide the opportunity for the Company to connect into the South West Interconnected System (SWIS) via the proposed 330 kV transmission line between Geraldton and Three Springs.

On 19 October 2011 the Company had its Environmental Protection Authority (EPA) Works Approval: W4301 / 2006 / 1: for the Centauri-1 Power Station extended until 20 December 2015.

The full Works Approval has been granted without any other amendments except the revised date, which confirms Eneabba Gas' planning for environmental delivery criteria has been again endorsed by the EPA.

On 17 January 2011, following a decision published by the ERA and under the licence amendments in 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 proposed Centauri 1, gas-fired power station has a base capacity of 168 MW with design in stages (depending on turbine configuration) up to 399 MW. The Company has received the various Government approvals needed for the rapid development of this vital piece of infrastructure, including Planning Approval from the Shire of Irwin, the EPA and the Department of Industry and Resources (DoIR).

Eneabba Gas is assessing development options and/ or joint venture opportunities for the 168MW gas-fired Centauri 1 Power Station on Company-owned land near Dongara in the Mid West of Western Australia.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT (CONTINUED)

Corporate Activities

As announced to the ASX on 27 September 2011, the Company conducted a fully underwritten capital raising for a total amount of \$2.221 million (before costs).

The capital raising was completed in three separate but connected capital raising events, as follows:

- i) A private placement of 11.8 million shares at 3 cents per share raising a total of \$354K (before costs) on 27 September 2011;
- ii) A one for two entitlements issue issuing 49.1 million shares at 3 cents raising \$1.47 million (before costs) on 4 October 2011; and
- iii) A top-up private placement of 13.2 million shares at 3 cents to the underwriters or nominees raising a total of \$397K (before costs) on 30 November 2011.

The Company's cash position at 30 June 2012 was \$1,631,489.

On 29 September 2011, Mr Morgan Barron and Mr Greg Allen were appointed as Directors of the Company which coincided with the resignation of Mr Koo Sing Kuang and Dr Kar Chan Wan.

Financial Position

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a comprehensive loss after tax for the year ended 30 June 2012 of \$703,469 had a net working capital surplus of \$2,206,428 and experienced net cash outflows from operating activities of \$277,889.

Accordingly, the Directors believe that there are sufficient funds to meet the Group's working capital requirements.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and have confidence in the Company's ability to raise additional funds if required.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group that occurred during the financial period not otherwise disclosed in this report or the financial statements.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

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

ENVIRONMENTAL REGULATION

The Directors believe that the Group has, in all material respects, complied with all particular and significant environmental regulations relevant to its operations.

The Group's operations are subject to various environmental regulations under the Federal and State Laws of Australia. Approvals, licences and hearings and other regulatory requirements are performed as required by the management of Eneabba for each permit or lease in which the Group has an interest.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' REPORT (CONTINUED)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year end, the Company has paid a premium of \$13,165 excluding GST to insure the Directors and secretary of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares, listed and unlisted options of the Company were:

<i>Director</i>	Shares		Options	
	<i>Held Directly</i>	<i>Held Indirectly</i>	<i>Held Directly</i>	<i>Held Indirectly</i>
John Arndell	-	-	2,000,000	-
Greg Allen	-	-	1,000,000	-
Thomas Goh	8,550,554	-	4,527,778	-
Morgan Barron	-	3,414,265	-	2,750,000
TOTAL	8,550,554	3,414,265	7,527,778	2,750,000

MEETINGS OF DIRECTORS

During the financial year end, 9 meetings of Directors were held with the following attendances:

Directors	Meetings Attended	Meetings Eligible to Attend
John Arndell	9	9
Greg Allen	6	6
Thomas Goh	9	9
Morgan Barron	6	6
Koo Kuang	3	3
Kar Wan	3	3

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2012. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the financial report.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes those executives in the Parent and the Group receiving the highest remuneration.

Key Management Personnel

- (i) Directors:
 - Mr John Arndell (Non-Executive Chairman)
 - Mr Thomas Goh (Non-Executive Director)
 - Mr Greg Allen (Non-Executive Director)
 - Mr Morgan Barron (Non-Executive Director)
 - Mr Koo Sing Kuang (former Non-Executive Chairman)
 - Dr Kar Wan (former Non-Executive Director)

ENEABBA GAS LIMITED
ABN: 69 107 385 884

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Policy

The Group's performance relies heavily on the quality of its Key Management Personnel ("KMP"). The Group has therefore designed a remuneration policy to align director and executive reward with business objectives and shareholder value.

Executive reward is linked to shareholder value by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain high calibre management personnel and directors to run and manage the Group.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-Executive Director Remuneration

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting (currently \$350,000).

Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Group and are able to participate in employee incentive option plans that may exist from time to time.

The Board has subsequently agreed that the Chairman will receive annual remuneration of \$45,000 plus superannuation at the statutory guarantee level per annum and other non-executive directors will receive annual compensation of \$40,000.

Executive Remuneration

Executive Remuneration consists of fixed remuneration and variable remuneration (comprising short-term and long-term incentive schemes).

Fixed Remuneration

All KMPs are remunerated on a consultancy basis based on services provided by each person. The Board reviews KMP packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The fixed remuneration of the Group's KMP is detailed in the table below.

Variable Remuneration

The remuneration policy has been tailored to increase goal congruence between shareholders and directors and key management personnel. Currently, this is facilitated through the issue of options to key management personnel to encourage the alignment of personal and shareholder interests. The Group believes this policy will be effective in increasing shareholder wealth.

Principles used to determine the nature and amount of variable remuneration: relationship between remuneration and company performance

The overall level of executive reward takes into account the performance of the Group over a number of years, with greater emphasis given to the current and prior year. The main performance criteria used in determining the executive reward remuneration is increasing shareholder value through aligning the Group with high quality exploration assets. Due to the nature of the Group's principal activities the Directors assess the performance of the Group with regard to the price of the Company's ordinary shares listed on the ASX, and the market capitalisation of the Group.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

REMUNERATION REPORT (AUDITED) (CONTINUED)

Directors and executives are issued options to encourage the alignment of personal and shareholder interests. Options issued to Directors may be subject to market based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Group believes this policy will be effective in increasing shareholder wealth. KMP are also entitled to participate in the employee share and option arrangements.

On the resignation of Directors any vested options issued as remuneration are retained by the relevant party. For details of Directors' and KMP interests in options at year end, refer Note 17(f) of the financial report.

The Board may exercise discretion in relation to approving incentives such as options. The policy is designed to reward KMP for performance that results in long-term growth in shareholder value.

The Group does not currently have a policy pertaining to Directors hedging their exposure to risks associated to the Group's securities they receive as compensation.

During the year the Board completed a self-performance evaluation at a Director and Board level.

Service Contracts

Upon appointment to the Board, all non-executive Directors enter into a service agreement with the Group in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of Director.

Remuneration of Directors and Executives

Details of the remuneration of the Directors and the KMP (as defined in AASB 124 *Related Party Disclosures*) of Eneabba Gas Limited are set out in the following tables.

Key management personnel of Eneabba Gas Limited

2012	Short Term Benefits		Allowances	Post Employment Benefits	Share Based Payments	Total	% of remuneration of performance related
	Salary and Fees	Non Monetary		Super-annuation	Options		
Key Management Personnel	\$	\$	\$	\$	\$	\$	
K S Kuang ¹	11,250	-	300	1,012	-	12,562	-
K C Wan ²	10,000	-	300	900	-	11,200	-
John Arndell	43,750	-	300	3,938	20,533	68,521	30%
Greg Allen	30,000	-	-	2,700	10,267	42,967	24%
Thomas Goh	66,059	-	-	5,700	30,780	102,539	30%
Morgan Barron	30,000	-	-	2,700	12,853	45,553	28%
Total	191,059	-	900	16,950	74,433	283,342	-

1. K S Kuang resigned as Chairman from the Board of Directors on 29 September 2011

2. K C Wan resigned as a Non-executive Director from the Board of Directors on 29 September 2011

ENEABBA GAS LIMITED
ABN: 69 107 385 884

REMUNERATION REPORT (AUDITED) (CONTINUED)

2011	Short Term Benefits			Post Employment Benefits			
	Salary and Fees \$	Non Monetary \$	Allowances \$	Super-annuation \$	Termination Payment \$	Total \$	% of remuneration of performance related
K S Kuang	40,625	-	1,200	3,656	-	45,481	-
K C Wan	5,000	-	-	450	-	5,450	-
John Arndell	3,333	-	100	300	-	3,733	-
Thomas Goh	22,500	-	1,969	2,025	-	26,494	-
C E Bennett ¹	32,914	-	700	2,962	-	36,576	-
R N Gillard ²	22,918	-	8,000	2,063	-	32,981	-
M Babidge ³	275,152	-	19,200	24,764	120,000	439,116	-
Total	402,442	-	31,169	36,220	120,000	589,831	-

1. C E Bennett resigned as Chairman from the Board of Directors on 12 May 2011
2. R N Gillard resigned as Chairman from the Board of Directors on 25 February 2011
3. M Babidge resigned as Managing Director from the Board of Directors on 10 May 2011

Share-based compensation

Details of the share based remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures*) of the Group are set out in the following tables.

Key management personnel of Eneabba Gas Limited – Share-based compensation

2012		Terms & Conditions for each Grant				Vested	
Directors	No Granted	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	Yes/No	%
John Arndell	2,000,000	24/11/2011	\$0.0108	\$0.05	31/08/2014	Yes	100
Greg Allen	1,000,000	24/11/2011	\$0.0108	\$0.05	31/08/2014	Yes	100
Thomas Goh	3,000,000	24/11/2011	\$0.0108	\$0.05	31/08/2014	Yes	100
Morgan Barron	1,250,000	24/11/2011	\$0.0108	\$0.05	31/08/2014	Yes	100

There were no share-based compensations for the Directors in the prior year.

******END OF REMUNERATION REPORT******

LIKELY DEVELOPMENTS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Group that were not finalised at the date of this report. Further information as to likely developments in the operations of the Group and Company and likely results of those operations would in the opinion of the Directors, be likely to result in unreasonable prejudice to the Group.

AUDITORS INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2012 has been received and can be found on page 17.

AUDITOR

HLB Mann Judd continues in office in accordance with section 327 of the Corporation Act 2001.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied to the Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the year.

SHARE OPTIONS

Shares under option

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

There are 25,937,013 unissued ordinary shares for which options are outstanding at the date of this report.

<u>Description</u>	<u>Number</u>
5 cent unlisted options expiring 31 August 2014	23,250,000
15 cent listed options expiring 30 June 2013	2,687,013
Total	25,937,013

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.

These options do not entitle the holders to participate in any share issue of the Group or any other body corporate.

During the year there were no ordinary shares issued as a result of the exercise of an option.

Signed in accordance with a resolution of the Directors made pursuant to Section 298(2) of the Corporation act 2001.



John I Arndell
Non-Executive Chairman
22 August 2012

¹Competent Person's 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 appear.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CORPORATE GOVERNANCE STATEMENT

Eneabba Gas Limited and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The Group has adopted systems of control and accountability as the basis for the administration of corporate governance. The Group and its Controlled Entity together are referred to as the Group in this statement.

The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Group's needs. The Corporate Governance Statement has been structured with reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments 2nd edition to the extent that they are applicable to the Group. Information about the Group's corporate governance practices are set out below.

THE BOARD OF DIRECTORS

The Group's Constitution provides that the number of Directors shall not be less than three. There is no requirement for any shareholding qualification.

If the Group's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately supervise the Group's activities will be determined within the limitations imposed by the Constitution and as circumstances demand.

The membership of the Board, its activities and composition is subject to periodic review. The criteria for determining the identification and application of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Group's scope of activities, intellectual ability to contribute to Board duties and physical ability to undertake Board duties and responsibilities.

Directors are initially appointed by the full Board, subject to election by shareholders at the next Annual General Meeting. Under the Group's Constitution the tenure of a Director (other than Managing Director, and only one Managing Director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a Director. A Managing Director may be appointed for the year and on any terms the Directors think fit and, subject to the terms of any agreement entered into, the appointment may be revoked on notice.

The Group is not currently of a size, nor are its affairs of such complexity, to justify the formation of other separate or special committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Group's activities and to ensure that it adheres to appropriate ethical standards.

INDEPENDENCE

Given the Group's present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. The Board has an expansive range of relevant industry experience, financial, legal and other skills and expertise to meet its objectives. The current board composition includes two independent directors and two non-independent directors.

Mr John Arndell is the current Non-Executive Chairman and is considered an independent Director.

When determining the independent status of each Director the board has considered whether the Director:

- Is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company.
- Is employed, or has previously been employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such an employment and serving on the board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the services provided.
- Is a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the Company or another Group member other than as a Director.

APPOINTMENTS TO OTHER BOARDS

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual Directors have the right in connection with their duties and responsibilities as Directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to Director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

GENDER DIVERSITY

The Company has not adopted an express policy specifically addressing achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity.

The Company's corporate code of conduct, provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.

The company currently has no female board members, senior executives or employees.

CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as Directors of the Company. Such information must be sufficient to enable the Directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The Directors recognise that UCG exploration and power station development are businesses with inherent risks and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

CODE OF CONDUCT

The Company has adopted a Code of Conduct for company executives that promotes the highest standards of ethics and integrity in carrying out their duties to the Company.

The Code of Conduct can be found on the Company's website at www.eneabbagas.com.au.

RISK MANAGEMENT SYSTEMS

The identification and management of risk, including calculated risk-taking activity is viewed by management as an essential component in creating shareholder value.

The Board of Directors is responsible for developing, maintaining and improving the Company's risk management and internal control system. The Board identifies areas of potential risks and ensures safeguards are in place to efficiently manage material business risks. These risk management and internal control systems are in place to protect the financial statements of the entity from potential misstatement, and the Board is responsible for satisfying itself annually, or more frequently as required, that a sound system of risk management and internal control is in place.

Strategic and operational risks are reviewed at least annually as part of the forecasting and budgeting process. The Group has identified and actively monitors risks inherent in the industry in which the Group operates.

The Board also receives a written assurance from the Company Secretary that to the best of their knowledge and belief, the declaration provided to the Board in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control, and that the system is operating effectively in relation to financial reporting risks. The Board notes that due to its nature, internal control assurance from the Company Secretary can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in internal control procedures.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

The Board has reviewed its current practices in light of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments 2nd edition with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the ASX Corporate Governance Guidelines with which the Company does not comply:

ASX Principle	Reference/comment
Principle 2: Structure the Board to add value	
2.1 A majority of the Board should be independent Directors	Given the Company's present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company.
2.4 The Board should establish a nomination committee	Given the size of the Board there is no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process.
Principle 3: Promote ethical and responsible decision-making	
3.2 – 3.3 Companies should establish a policy concerning diversity	<p>The Company does not have an express policy specifically addressing achieving gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future.</p> <p>The Company's Corporate Governance Plan includes a corporate code of conduct, which provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.</p>
Principle 4: Safeguard integrity in financial reporting	
4.1 – 4.2 The Board should establish an audit committee	The Company does not have an Audit Committee. The Board believes that, with only 4 Directors on the Board, the Board itself is the appropriate forum to deal with this function.
Principle 8: Remunerate fairly and responsibly	
8.1 The Board should establish a remuneration committee	Given the current size of the Board, the Company does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	The Board acknowledges the grant of options to Non-Executive Directors is contrary to Recommendation 8.3 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to be reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves.

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Eneabba Gas Limited for the year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) any applicable code of professional conduct in relation to the audit.

Perth, Western Australia
22 August 2012



L DI GIALLONARDO
Partner, HLB Mann Judd

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2012

	Note	Consolidated 2012 \$	Consolidated 2011 \$
Revenue from continuing operations			
Finance income	4	39,097	31,839
Sale of gas income	15	791,861	75,120
Other income		10,330	-
Total revenue from continuing operations		841,288	106,959
Cost of gas sold		(796,660)	(71,044)
Feasibility study		(13,739)	(153,660)
Depreciation	11(b)	(20,998)	(15,704)
Loss on disposal of property, plant and equipment		(7,826)	(4,541)
Provision for write-down of inventory	15	(115,181)	(262,124)
Employee benefits expenses	5(a)	(450,390)	(833,721)
Write-off of exploration expenditure	10	-	(2,045,937)
Other expenses		(355,031)	(512,263)
Total costs		(1,759,825)	(3,898,994)
Loss before income tax expense		(918,537)	(3,792,035)
Income tax benefit / (expense)	7	215,068	-
Loss for the year		(703,469)	(3,792,035)
Other Comprehensive Income		-	-
Total Comprehensive Loss for the year end		(703,469)	(3,792,035)
Loss attributable to:			
Members of Eneabba Gas Limited		(703,469)	(3,792,035)
Total Comprehensive Loss attributable to:			
Members of Eneabba Gas Limited		(703,469)	(3,792,035)
Basic and Diluted Loss per share – cents per share	6	(0.53)	(4.45)

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

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

	Note	Consolidated 30 June 2012 \$	Consolidated 30 June 2011 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	1,631,489	394,921
Receivables	9	729,715	-
Prepayments		3,833	31,784
Inventories		-	890,000
Total current assets		2,365,037	1,316,705
Non-current assets			
Exploration and evaluation expenditure	10	1,635,974	1,583,482
Property, plant and equipment	11	1,735,327	1,672,273
Deposits		-	25,000
Total non-current assets		3,371,301	3,280,755
TOTAL ASSETS		5,736,338	4,597,460
LIABILITIES			
Current liabilities			
Trade and other payables	12	158,609	56,267
Unearned revenue		-	517
Provisions		-	153,828
Loans - directors		-	400,000
Total current liabilities		158,609	610,612
TOTAL LIABILITIES		158,609	610,612
NET ASSETS		5,577,729	3,986,848
EQUITY			
Issued capital	13	13,254,665	11,189,034
Reserves	13	1,301,559	1,072,840
Accumulated losses		(8,978,495)	(8,275,026)
TOTAL EQUITY		5,577,729	3,986,848

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012

	Note	Issued Capital \$	Option Reserve \$	Accumulated Losses \$	Total Equity \$
Consolidated 2012					
Total equity at the beginning of the year		11,189,034	1,072,840	(8,275,026)	3,986,848
Total comprehensive loss for the year		-	-	(703,469)	(703,469)
Transactions with equity holders:					
Contributions of equity, net of transaction costs	13(b)	2,065,631	-	-	2,065,631
Options issued	18	-	1,500	-	1,500
Share-based payments	18	-	227,219	-	227,219
Total equity at 30 June 2012		13,254,665	1,301,559	(8,978,495)	5,577,729
Consolidated 2011					
Total equity at the beginning of the year		10,451,196	1,024,840	(4,482,991)	6,993,045
Total comprehensive loss for the year		-	-	(3,792,035)	(3,792,035)
Transactions with equity holders:					
Contributions of equity, net of transaction costs	13(b)	737,838	-	-	737,838
Share-based payments	18	-	48,000	-	48,000
Total equity at 30 June 2011		11,189,034	1,072,840	(8,275,026)	3,986,848

ENEABBA GAS LIMITED
ABN: 69 107 385 884

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2012

	Note	Consolidated 2012 \$	Consolidated 2011 \$
<i>Cash flows from operating activities</i>			
Interest received		39,097	24,517
Proceeds from sale of inventory		319,200	75,120
Other income		10,330	7,322
Payments to suppliers and employees		(500,784)	(1,212,830)
Power station feasibility costs		(13,739)	-
Payments for purchase of inventory		-	(71,044)
Interest paid (on Director loans)		(3,993)	-
Staff termination payment		(128,000)	-
Net cash used in operating activities	14	(277,889)	(1,176,915)
<i>Cash flows from investing activities</i>			
Payments for property, plant and equipment		(91,878)	(1,260)
Payments for capitalised exploration expenditure		(52,492)	(429,404)
Net cash used in investing activities		(144,370)	(430,664)
<i>Cash flows from financing activities</i>			
Proceeds from issues of shares and options		1,963,013	765,799
Capital raising costs		(155,388)	(27,961)
Proceeds from / (repayment of) Director loans		(148,798)	400,000
Net cash flows provided by financing activities		1,658,827	1,137,838
Net increase / (decrease) in cash and cash equivalents		1,236,568	(469,741)
Cash and cash equivalents at the beginning of the year		394,921	864,662
Cash and cash equivalents at the end of the year	8	1,631,489	394,921

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

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 1: REPORTING ENTITY

Eneabba Gas Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year to 30 June 2012 comprises the Company and its subsidiaries (collectively referred to as the "Group").

A description of the nature of the Group's operations and its principal activities is included in the review of operations and activities in the Directors' report on page 6, which does not form part of this financial report.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Consolidated Financial Statements and Notes of the Group comply with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

Eneabba Gas Limited was incorporated in Australia on 12 December 2003 and is a company limited by shares. The financial report is presented in the functional currency of the Group, being Australian Dollars.

This Consolidated Financial Report was approved by the Board of Directors on 22 August 2012.

Financial Position

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has incurred a comprehensive loss after tax for the year ended 30 June 2012 of \$703,469 had a net working capital surplus of \$2,206,428 and experienced net cash outflows from operating activities of \$277,889.

Accordingly, the Directors believe that there are sufficient funds to meet the Group's working capital requirements.

The Board is confident in securing sufficient additional funding to provide working capital for at least the next 12 months from the date of signing of this financial report.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The significant policies which have been adopted in the preparation of this financial report are:

(a) Principles of Consolidation

Subsidiaries

The consolidated financial statements comprise the assets and liabilities of Eneabba Gas Limited and its subsidiaries at 30 June 2012 and the results of the subsidiary for the year then ended. A subsidiary is any entity controlled by Eneabba Gas Limited.

Subsidiaries are all those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Principles of Consolidation (Continued)

The financial statements of subsidiaries are prepared from the same reporting year end as the Parent Company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All inter-company balances and transactions, including unrealised profits arising from intra-entity transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Investments in subsidiaries are accounted for at cost in the individual financial statements of Eneabba Gas Limited.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year end in which Eneabba Gas Limited has control.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 3(h)).

Common Control transactions are accounted for at the net asset value of the identifiable assets and liabilities of the acquired entity. This method of accounting involves recognising at acquisition date, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration paid is valued at the net asset value of the identifiable assets and liabilities of the acquired entity, in accordance with these principles to ensure no profit or loss is accounted for in either the acquirer or the seller. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values (see note 3(h)).

A change in the ownership interest of a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Company.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including any goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(b) Segment Reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the board of directors.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Segment Reporting (Continued)

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in the nature of the minerals targeted.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(c) Income Tax

The income tax expense or benefit for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable and receivables and payables in the balance sheet are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Cash flows are included the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) Trade and Other Receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to another party with no intention of selling the receivables. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Trade and Other Receivables (Continued)

Trade and other receivables are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method, less any impairment losses.

(f) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that right of tenure is current and those costs are expected to be recouped through the successful development of the area (or, alternatively by its sale) or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and above operations in relation to the area are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit or loss in the year end in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are transferred to development expenditure and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(g) Property, Plant and Equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the items. Repairs and maintenance are charged to the statement of comprehensive income during the reporting year end in which they were incurred.

Depreciation is calculated using the straight-line method to allocate asset costs over their estimated useful lives, as follows:

• Computer equipment	3 years
• Software	3 years
• Plant & equipment	5 years
• Property infrastructure	13 to 20 years

Each asset's residual value and useful life is reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(h) Business Combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, securities issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of Non-Financial Assets

Where an indicator of impairment exists, the Group makes a formal estimate of the recoverable amount. Where the carrying amount of an asset or cash generating unit exceeds its recoverable amount the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets or groups of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU's that are expected to benefit from the synergies of combination.

(j) Share-Based Payments

The Group has provided payment to service providers and related parties in the form of share-based compensation, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The cost of these equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined using an appropriate option valuation model for services provided by employees or where the fair value of the shares received cannot be reliably estimated.

For goods and services received where the fair value can be determined reliably the goods and services and the corresponding increase in equity are measured at that fair value.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions. Non market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance date, the entity revises its estimates of the number of options that are expected become exercisable.

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 parties become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the Directors of the Group, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

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.

(k) Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the statement of cash flows cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(l) Finance income and expense

Finance income comprises interest income on funds invested, gains on disposal of financial assets and changes in fair value of financial assets held at fair value through profit or loss. Finance expenses comprise changes in the fair value of financial assets held at fair value through profit or loss and impairment losses on financial assets. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Issued Capital

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

(n) Earnings per Share

i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(o) Trade and other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade and other payables are stated at amortised cost, using the effective interest method.

(p) Foreign Currency Translation

i) Functional and presentation currency

Both the functional and presentation currency of Eneabba Gas Limited and its subsidiaries is the Australian dollar (\$).

ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(q) Significant Accounting Estimates and Assumptions

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

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

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Significant Accounting Estimates and Assumptions (Continued)

i) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors that could impact the future recoverability include the level of reserves and resources, future technological changes, which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits and net assets will be reduced in the year in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent it is determined in the future that this capitalised expenditure should be written off, profits and net assets will be reduced in the year in which this determination is made.

ii) Recoverability of potential deferred tax assets

The Group recognises deferred income tax assets in respect of tax losses to the extent that it is probable that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact the financial results.

iii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using either the Binomial or the Black-Scholes valuation methods, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 18. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year end but may impact expenses and equity.

(r) Comparative Information

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(s) New Accounting Standards for Application in Future Years

In the year ended 30 June 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

(t) Parent Entity information

The financial statements for the parent entity, Eneabba Gas Limited, disclosed in Note 22 have been prepared on the same basis as the consolidated financial statements.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 4: INCOME

	Consolidated	
	2012	2011
	\$	\$
Finance income		
Interest income	39,097	31,839
Total income	39,097	31,839

NOTE 5: LOSS

	Consolidated	
	2012	2011
	\$	\$
Loss before income tax is after crediting (charging) the following items		
Finance revenue – banks	39,097	24,517
Sale of inventory gas	791,861	75,120
Cost of gas sold	(796,660)	(71,044)
Depreciation of plant and equipment	(20,998)	(18,948)
Legal costs	-	(16,150)
Exploration expenditure written off	-	(2,045,937)
Inventory write down	(115,181)	(262,124)
Share based payments	(142,519)	-
Feasibility study costs written off	(13,739)	(153,660)

NOTE 5(a): EMPLOYEE BENEFITS

	Consolidated	
	2012	2011
	\$	\$
Wages and salaries	(237,690)	(688,245)
Termination payment provision	-	(120,000)
Employee termination payment	(128,000)	-
Employee entitlements:		
Provision for employee entitlements	-	22,524
Share based payments – Director options	(74,433)	-
Share based payments - employee options	(10,267)	(48,000)
Total employee benefits	(450,390)	(833,721)

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 6: LOSS PER SHARE

	Consolidated	
	2012	2011
	\$	\$
Basic and diluted loss per share – cents	(0.53)	(4.45)
Loss used in the calculation of basic and diluted loss per share	(703,469)	(3,792,035)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	134,034,429	85,213,548
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	134,034,429	85,213,548

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are considered anti-dilutive.

NOTE 7: INCOME TAX

	Consolidated	
	2012	2011
	\$	\$
Loss before tax	(703,469)	(3,792,035)
Tax at the statutory rate of 30% (2011: 30%):	(211,041)	(1,137,610)
Non-deductible expenses	68,257	48,000
Effect of tax losses and tax offsets not recognised as deferred tax assets	142,784	1,089,610
Research and development tax offset	215,068	-
Income tax benefit / (expense) recognised in profit or loss	215,068	-

Deferred tax assets and liabilities are attributable to the following:

	Consolidated					
	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Accruals	(9,600)	(10,148)	-	-	(9,600)	(10,148)
Superannuation payable	(401)	-	-	-	(401)	-
Capital raising	(132,348)	(81,049)	-	-	(132,348)	(81,049)
Exploration costs	-	-	490,792	475,045	490,792	475,045
Tax losses	(348,443)	(383,848)	-	-	(348,443)	(383,848)
Tax (assets) liabilities	(490,792)	(475,045)	490,792	475,045	-	-
Set off of tax	490,792	475,045	(490,792)	(475,045)	-	-
Net tax (assets) liabilities	-	-	-	-	-	-

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 7: INCOME TAX (CONTINUED)

Movements in temporary differences during the year – 2012

	Balance 1 July 2011	Recognised in Income	Recognised in Equity	Balance 30 June 2012
Exploration and evaluation assets	475,045	15,747	-	490,792
Accruals	(10,148)	548	-	(9,600)
Superannuation payable	-	(401)	-	(401)
Capital raising	(81,049)	-	(51,299)	(132,348)
Feasibility	36,878	(36,878)	-	-
Tax losses	(420,726)	20,984	51,299	(348,443)
	-	-	-	-

Movements in temporary differences during the year – 2011

	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)
	-	-	-	-

Unrecognised deferred tax assets

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

	Consolidated	
	2012	2011
	\$	\$
Tax losses	2,635,792	2,287,349

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 Group 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.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 8: CASH AND CASH EQUIVALENTS

	Consolidated	
	2012	2011
	\$	\$
Reconciliation to Statement of Financial Position		
Cash at bank	1,631,489	394,921
Cash on hand	-	-
Total cash and cash equivalents^(a)	1,631,489	394,921

^(a) Cash at bank is subject to floating interest rates at an effective interest rate of 3.50% (2011: 5.22%)

NOTE 9: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012	2011
	\$	\$
Current		
Other receivables -		
Inventory gas sales	514,647	-
Research & development tax offset – FY 2011	215,068	-
Total trade and other receivables	729,715	-

The above amounts do not bear interest and their carrying amount is equivalent to their fair value.

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2012	2011
	\$	\$
Exploration and evaluation expenditure	1,635,974	1,583,482
Carrying amount at beginning of year	1,583,482	3,200,015
Additions	52,492	429,404
Impairments	-	(2,045,937)
Carrying amount at year end – exploration and evaluation phase	1,635,974	1,583,482

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phase is dependent on the successful development and commercial exploitation or sale of the respective areas.

Exploration Commitments

In order to maintain rights of tenure to its exploration permit, the Group has certain obligations to perform minimum exploration work and expend minimum amounts of money.

These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The minimum expenditure required by the Group on its exploration permit as at the balance sheet date is estimated below. Commitments beyond this time frame cannot be estimated reliably as minimum expenditure requirements are reassessed annually. These commitments have not been provided for in the financial report.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

	Consolidated	
	2012	2011
	\$	\$
Within one year	210,000	146,451
Within two years to five years	-	12,204
Later than five years	-	-
Total	210,000	158,655

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2012	2011
	\$	\$
(a) Carrying Values		
Freehold land at cost	1,547,572	1,547,572
Fencing and fire mitigation at cost	186,032	112,823
Storage container	1,723	1,914
Furniture and fittings at cost	-	9,964
Total	1,735,327	1,672,273
(b) Total Depreciation Expense	20,998	15,704
(c) 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
Carrying amount at end of year	1,547,572	1,547,572

Fencing and fire mitigation

Carrying amount at beginning of year	112,823	126,609
Additions	92,846	-
Depreciation expense	(19,637)	(13,786)
Carrying amount at end of year	186,032	112,823

Storage container

Carrying amount at beginning of year	1,914	2,125
Depreciation expense	(191)	(211)
Carrying amount at end of year	1,723	1,914

Furniture and fittings

Carrying amount at beginning of year	9,964	14,952
Additions	-	1,260
Cash Disposal	(968)	-
Loss on Disposal	(7,826)	(4,541)
Depreciation expense	(1,170)	(1,707)
Carrying amount at end of year	-	9,964

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated	
	2012	2011
	\$	\$
Trade payables (a)	50,236	56,267
Accruals	32,000	-
Other payables (b)	76,373	-
	158,609	56,267

(a) Trade payables are non-interest bearing and are normally settled on 30-day terms.

(b) Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months and generally payable to ATO for GST & PAYG.

NOTE 13: ISSUED CAPITAL & RESERVES

CONSOLIDATED 2012

(a) Issued and Paid Up Capital

	No.	\$
Fully paid ordinary shares	160,418,038	13,254,665

(b) Movements in fully paid shares on issue

Balance as at 1 July 2011	86,384,055	11,189,034
Shares in relation to exercise of listed options	3	-
Ordinary shares issued in relation to capital raisings	74,033,980	2,221,019
Capital raising costs	-	(155,388)
Balance as at 30 June 2012	160,418,038	13,254,665

(c) Share Options

Balance as at 1 July 2011	19,983,928	1,072,840
Unlisted options issued to Directors	7,250,000	74,433
Unlisted options issued under ESOP	1,000,000	10,267
Unlisted options issued to Consultants	15,000,000	144,019
Exercise of listed options (exercise price of \$0.25)	(3)	-
Expiry of listed options (exercise price of \$0.25)	(17,296,912)	-
Balance as at 30 June 2012	25,937,013	1,301,559

CONSOLIDATED 2011

(a) Issued and Paid Up Capital

	No.	\$
Fully paid ordinary shares	86,384,055	11,189,034

(b) Movements in fully paid shares on issue

Balance as at 1 July 2010	78,323,013	10,451,196
Ordinary shares issued in relation to capital raisings	8,061,042	765,799
Capital raising costs	-	(27,961)
Balance as at 30 June 2011	86,384,055	11,189,034

(c) Share Options

Balance as at 1 July 2010	17,296,915	1,024,840
Unlisted options issued under ESOP	1,200,000	48,000
Listed options issued	2,687,013	-
Listing of unlisted ESOP options	(1,200,000)	-
Balance as at 30 June 2011	19,983,928	1,072,840

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 13: ISSUED CAPITAL & RESERVES (CONTINUED)

During the year, three options were exercised to take up ordinary shares. As at the year end the Company had a total of 160,418,038 unissued ordinary shares on which options are outstanding with a weighted average exercise price of 6.04 cents. The weighted average remaining contractual life of all share options outstanding at the end of the year is 2.05 years.

Nature and purpose of reserves

a. Options reserve

The options reserve is used to recognise the fair value of all options on issue but not yet exercised.

NOTE 14: OPERATING CASH FLOW INFORMATION

	Consolidated	
	2012	2011
	\$	\$
Reconciliation of Loss for the Year to Net Cash Flows used in Operations		
Loss for the year	(703,469)	(3,792,035)
Adjustments for:		
Depreciation	20,998	15,704
Loss on disposal of property, plant and equipment	7,826	4,541
Share option expense	227,219	48,000
Exploration assets written off	-	2,045,937
Director loan interest paid via equity in financing activities	8,304	-
Changes in assets and liabilities:		
(Increase) / Decrease in inventories	890,000	252,719
(Increase) / Decrease in trade and other receivables	(729,715)	15,131
(Increase) / Decrease in prepayments	52,951	139,840
Increase / (Decrease) in trade and other payables	101,825	(17,843)
Increase / (Decrease) in provision for employee termination payments	(128,000)	111,091
Increase / (Decrease) in provision for employee termination payments	(25,828)	-
Net cash flows used in operations	(277,889)	(1,176,915)

NOTE 15: INVENTORIES

	Consolidated	
	2012	2011
	\$	\$
Inventories – opening balance	890,000	1,142,719
Add : Inventories costs during the year	17,042	84,525
Less : Write-down during the year	(115,181)	(262,124)
Less: Sale of inventory	(791,861)	(75,120)
Closing balance	-	890,000

Inventories comprise supplies of gas which is valued at the lower of cost and net realisable value. The Company is not a gas trader. Remaining gas inventory was completely sold at book value during the year ended 30 June 2012.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 16: DIRECTOR LOANS

	Consolidated	
	2012	2011
	\$	\$
Director loans	-	400,000

During the year the group repaid the loan in full by cash and the issue of equity.

NOTE 17: RELATED PARTY INFORMATION

a) Parent and ultimate controlling party

The parent entity and ultimate controlling party is Eneabba Gas Limited.

The consolidated financial statements include the financial statements of Eneabba Gas Limited and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest 2012
Eneabba Energy Pty Limited	Australia	100%
Eneabba Mining Pty Limited	Australia	100%
Eneabba Holding Pty Limited	Australia	100%
Eneabba Power Pty Limited	Australia	100%

b) Related party compensation

Information on remuneration of Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report. Please refer to page 11 of the Directors' Report for Key Management Personnel remuneration information.

c) Loans to and from related parties

Terms and Conditions of loans

Loans between entities in the wholly owned Group are not interest bearing, unsecured and are payable upon reasonable notice having regard to the financial stability of the Company.

d) Other related party transactions

Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd, a company of which Mr Morgan Barron is a Director, provided office accommodation, support and corporate services in relation to the administration of the Company during the year. A mandate between Eneabba Gas Limited and Ventnor Capital Pty Ltd was signed for the above services in January 2012.

A summary of the total fees paid and payable (inclusive of GST) to Ventnor Capital Pty Ltd for the year ended 30 June 2012 is as follows:

	2012	2011
	\$	\$
Rent & Office Administration, Bookkeeping & Secretarial support	45,868	-
Financial accounting services	22,934	-
Total	68,802	-

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 17: RELATED PARTY INFORMATION (CONTINUED)

Ventnor Securities Pty Ltd, a company of which Mr Morgan Barron is a Director was paid brokerage & underwriting fees for capital raising services during the year on normal commercial terms. These fees were paid to Ventnor Securities Pty Ltd through RM Capital Pty Ltd, of which Ventnor Securities Pty Ltd is a corporate authorised representative. A summary of the total fees paid to Ventnor Securities Pty Ltd during the year is as follows:

Brokerage & Underwriting fees to Ventnor Securities Pty Ltd	\$	95,500
Total		95,500

There were no fees payable to Ventnor Securities Pty Ltd as at 30 June 2012.

During the year the Company repaid directors' loans in full, the total amount being principal of \$400,000, with interest of \$12,296.

Share options were issued to directors during the year. Refer to Note 18 for details.

Share options were issued to Smallcap Corporate Pty Ltd, which is a related party of Mr Piers Lewis, the former Company Secretary. Refer to Note 19 for details.

The Company also issued 15,000,000 Options at \$0.0001 to advisor company, Ventnor Capital Pty Ltd and its nominees, for a cash consideration of \$1,500 as announced to the ASX on 2 December 2011. Refer to Note 18 for details.

Other related party transactions that occurred during the year were various loans from parent company to its subsidiaries, Eneabba Energy Pty Ltd and Eneabba Mining Pty Ltd. These loans have been eliminated upon consolidation.

e) Share holdings of key management personnel

The movement in the number of ordinary shares of Eneabba Gas Limited held, directly, indirectly or beneficially, by each Director, including their personally-related entities for the year ended 30 June 2012:

Directors	Held at 1 July 2011	Movement during year	Options Exercised	Held at 30 June 2012
J Arndell ¹	-	-	-	-
G Allen ²	-	-	-	-
T Goh	5,733,703	2,816,851	-	8,550,554
M Barron ³	-	3,414,265	-	3,414,265
K S Kuang ⁴	11,657,228	-	-	11,657,228
K C Wan ⁵	3,500,000	-	-	3,500,000
Total	20,890,931	6,231,116	-	27,122,047

1. J Arndell was appointed as a Non-executive Director on 27 May 2011 and then as a Non-executive Chairman on 29 September 2011

2. G Allen was appointed as a Non-executive Director on 29 September 2011

3. M Barron was appointed as a Non-executive Director on 29 September 2011

4. K S Kuang resigned as a Non-executive Chairman on 29 September 2011. The closing balance shown is at that date.

5. K C Wan resigned as a Non-executive Director on 29 September 2011

The closing balance shown is at that date.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 17: RELATED PARTY INFORMATION (CONTINUED)

Directors	Held at 1 July 2010	Movement during year	Options Exercised	Held at 30 June 2011
J Arndell	-	-	-	-
T Goh	5,733,703	-	-	5,733,703
K S Kuang	9,991,910	1,665,318	-	11,657,228
K C Wan	3,500,000	-	-	3,500,000
M H Babidge ¹	7,170,001	100,000	-	7,270,001
R N Gillard ²	2,600,000	250,000	-	2,850,000
C E Bennett ³	240,000	33,333	-	273,333
Total	29,235,614	2,048,651	-	31,284,265

1 M H Babidge resigned as Managing Director on 10 May 2011. The closing balance shown is at that date.

2 R N Gillard resigned as Non-executive Director on 25 February 2011. The closing balance shown is at that date.

3 C E Bennett resigned as Non-executive Director on 12 May 2011. The closing balance shown is at that date.

f) Options holdings of key management personnel

The number of options over ordinary shares in Eneabba Gas Limited held, directly, indirectly or beneficially, by each specified Director and specified executive, including their personally-related entities as at balance date, is as follows:

Directors	Held at 1 July 2011	Movement during year	Exercised	Held at 30 June 2012	Vested and exercisable at 30 June 2012
T Goh	1,527,778	3,000,000	-	4,572,778	3,072,778
K S Kuang ¹	2,242,439	-	-	2,242,439	2,242,439
K C Wan ²	907,168	-	-	907,168	907,168
J Arndell	-	2,000,000	-	2,000,000	1,000,000
G Allen	-	1,000,000	-	1,000,000	500,000
M Barron	-	2,750,000	-	2,750,000	2,125,000
Total	4,677,385	8,750,000	-	13,472,385	9,847,385

1 K S Kuang resigned as a Non-executive Chairman on 29 September 2011. The closing balance shown is at that date.

2 K C Wan resigned as a Non-executive Director on 29 September 2011. The closing balance shown is at that date.

Directors	Held at 1 July 2010	Movement during year	Exercised	Held at 30 June 2011	Vested and exercisable at 30 June 2011
T Goh	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	907,168	-	-	907,168	907,186
J Arndell	-	-	-	-	-
M H Babidge ¹	1,250,000	83,333	-	1,333,333	1,333,333
R N Gillard ²	1,766,667	33,333	-	1,800,000	1,800,000
C E Bennett ³	1,033,334	11,111	-	1,044,445	1,044,445
Total	8,172,280	682,883	-	8,855,163	8,855,163

1 M H Babidge resigned as Managing Director on 10 May 2011. The closing balance shown is at that date.

2 R N Gillard resigned as Non-executive Director on 25 February 2011. The closing balance shown is at that date.

3 C E Bennett resigned as Non-executive Director on 12 May 2011. The closing balance shown is at that date.

NOTE 18: SHARE BASED PAYMENTS

Share-based payment transactions

The Group 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.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 18: SHARE BASED PAYMENTS (CONTINUED)

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 payments were made:

	\$
Share-based payments:	
7,250,000 Options issued to Directors (i)	74,433
1,000,000 Options issued to consultant under EIS (i)	10,267
15,000,000 Options issued to advisor (less cash consideration) (ii)	142,519
	227,219

(i) The options were issued to the Directors and a consultant on 24 November 2011.

The options were issued on the following terms and conditions:

Date Granted	Expiry Date	Exercise Price	Issued During the year
24 November 2011	31 August 2014	\$0.05	7,250,000
24 November 2011	31 August 2014	\$0.05	1,000,000
			8,250,000

(i) The Company also issued 15,000,000 advisor options at \$0.0001 to Ventnor Capital Pty Ltd in consideration of cash of a total amount of \$1,500 as announced to the ASX on 2 December 2011.

The options were issued on the following terms and conditions:

Date Granted	Expiry Date	Exercise Price	Issued During the year
2 December 2011	31 August 2014	\$0.05	15,000,000
			15,000,000

1. Options issued to the Directors

On 24 November 2011 the Company issued 7,250,000 Options to the directors of the company, as announced to the ASX on 25 November 2011. This has been granted to the Directors as per Resolutions 8, 9 and 10 at the AGM held on 23 November 2011. The Resolutions were approved by shareholders at the AGM. Upon exercise of the options into ordinary fully paid shares, the allotted and issued shares will rank equally in all respects with an existing class of quoted securities. There are no voting rights attached, the options are not transferable, and they may be exercised at any time until 31 August 2014.

50% of the options vested upon issue on 24 November 2011 and the balance are vesting on 24 July 2012.

The details of the options issued to Directors are as follows:

2012								
Granted	Terms & Conditions for each Grant						Vested	
#	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No	%
7,250,000	24/11/11	\$0.0108	\$0.05	31/8/2014	24/11/2011	-	7,250,000	100%

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 18: SHARE BASED PAYMENTS (CONTINUED)

Fair value of options granted

The fair value at grant date of the options has been determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs for Director options granted during the year:

Model Inputs	Director Options
1. Options granted for no consideration:	7,250,000
2. Exercise price (cents):	5.00
3. Valuation date:	24 November 2011
4. Expiry date:	31 August 2014
5. Underlying security spot price at grant date (cents):	3.00
6. Expected price volatility of the Company's shares:	75%
7. Expected dividend yield:	0%
8. Risk-free interest rate	3.70%

2. Options issued to the Consultant under EIS

On 24 November 2011 the Company issued 1,000,000 Options to Smallcap Corporate Pty Ltd as announced to the ASX on 25 November 2011. This has been granted to the Consultant as per Resolution 14 at the AGM held on 23 November 2011. The Resolution was approved by shareholders at the AGM. Upon exercise of the options into ordinary fully paid shares, the allotted and issued shares will rank equally in all respects with an existing class of quoted securities. There are no voting rights attached, the options are not transferable and they may be exercised at any time until 31 August 2014. 50% of the options are vesting on 24 November 2011 and the balance are due to vest on 24 July 2012.

The details of the options issued to the Consultant are as follows:

2012		Terms & Conditions for each Grant					Vested	
Granted							No	%
#	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date		
1,000,000	24/11/11	\$0.0108	\$0.05	31/8/2014	24/11/2011	-	1,000,000	100%

Fair value of options granted

The fair value at grant date of the options has been determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs for the Consultant employee options granted during the year:

Model Inputs	Consultant Options
1. Options granted for no consideration:	1,000,000
2. Exercise price (cents):	5.00
3. Valuation date:	24 November 2011
4. Expiry date:	31 August 2014
5. Underlying security spot price at grant date (cents):	3.00
6. Expected price volatility of the Company's shares:	75%
7. Expected dividend yield:	0%
8. Risk-free interest rate	3.70%

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 18: SHARE BASED PAYMENTS (CONTINUED)

3. Options issued to advisor Ventnor Capital Pty Ltd

On 1 December 2011 the Company issued 15,000,000 Options to advisors of the company as announced to the ASX on 2 December 2011. These have been granted to advisors as per Resolution 7 at the AGM held on 23 November 2011. The Resolution was approved by shareholders at the AGM. Upon exercise of the options into ordinary fully paid shares, the allotted and issued shares will rank equally in all respects with an existing class of quoted securities. There are no voting rights attached, the options are not transferable, and they may be exercised at any time until 31 August 2014.

The options do not entitle the holder to participate in the next interest or dividend payment.

100% of the options vested immediately.

The details of the options issued to the advisor are as follows:

2012		Terms & Conditions for each Grant					Vested	
Granted								
#	Grant Date	Fair Value at Grant Date	Exercise Price per Option	Expiry Date	First Exercise Date	Last Exercise Date	No	%
15,000,000	01/12/11	\$0.0096	\$0.05	31/8/2014	1/12/2011	-	15,000,000	100%

Fair value of options granted

The fair value at grant date of the options has been determined using a Black & Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The table below summarises the model inputs for options granted during the year:

Model Inputs	Advisor Options
1. Options granted:	15,000,000
2. Exercise price (cents):	5.00
3. Valuation date:	1 December 2011
4. Expiry date:	31 August 2014
5. Underlying security spot price at grant date (cents):	3.00
6. Expected price volatility of the Company's shares:	75%
7. Expected dividend yield:	0%
8. Risk-free interest rate	3.26%

NOTE 19: AUDITORS' REMUNERATION

Amounts payable to auditor of the Group
Audit services - payable to HLB Mann Judd
- payable to Deloitte
Non-Audit Services

Consolidated 2012 \$	Consolidated 2011 \$
26,000	-
-	46,000
-	-
26,000	46,000

NOTE 20: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks that include market risk (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

Risk management is carried out by the Managing Director under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as mitigating foreign exchange and interest rate and credit risks.

a) Market Risk

Foreign Currency Risk

The Company is not directly exposed to any foreign currency risk.

Price risk

The Company is not directly exposed to any price risk.

Interest rate risk

The Group is exposed to interest rate risk on cash balances held in interest bearing accounts. The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Group's operating activities. The Group's net exposure to interest rate risk at 30 June 2012 approximates the value of cash and cash equivalents.

b) Credit Risk

The Group has no significant concentrations of credit risk.

c) Liquidity Risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate working capital is maintained for the coming months. Upcoming capital needs and the timing of raisings are assessed by the Board at each meeting of Directors.

The maturity of the Group's payables is disclosed in Note 12.

Cash flow and Interest Rate Risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities is disclosed in Note 8. Only cash is affected by interest rate risk as cash is the Group's only financial asset exposed to fluctuating interest rates.

In accordance with AASB 7 the following sensitivity analysis has been performed for the Company's interest rate risk:

Consolidated Risk Variable	Sensitivity*	Effect On:	Effect On:
		Profit/Loss 2012	Equity 2012
		\$	\$
Interest Rate	+ 1.50%	10,552	10,552
	- 1.50%	(10,552)	(10,552)

* It is considered that 150 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

Consolidated Risk Variable	Sensitivity*	Effect On:	Effect On:
		Profit/Loss 2011	Equity 2011
		\$	\$
Interest Rate	+ 1.00%	-	-
	- 1.00%	-	-

* It is considered that 100 basis points is a 'reasonably possible' estimate of potential variations in the interest rate.

The fair values of all financial assets and liabilities of the Group approximate their carrying values.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group's capital includes ordinary share capital and convertible performance shares, supported by financial assets.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 20: FINANCIAL RISK MANAGEMENT (CONTINUED)

There were no changes in the Group's approach to capital management during the year. Neither the Company nor the Group are subject to externally imposed capital requirements.

NOTE 21: SEGMENT REPORTING

Description of segments

Segment Reporting

The group conducts operations in two operating segments, mineral exploration and electricity generation, and one geographic segment, Australia.

	Electricity Generation	Mineral Exploration	Unallocated	Consolidated
2012	\$	\$	\$	\$
Segment income				
Sale of gas	791,861	-	-	791,861
Interest received	-	-	39,097	39,097
Lease Income	3,772	-	-	3,772
Other income	6,558	-	-	6,558
Total income	802,191	-	39,097	841,288
Segment expenses				
Cost of gas sold	(796,660)	-	-	(796,660)
Feasibility study costs	(13,739)	-	-	(13,739)
Inventory write down	(115,181)	-	-	(115,181)
Net other costs	-	-	(813,247)	(813,247)
Loss before amortisation and depreciation	(123,389)	-	(774,150)	(897,539)
Amortisation and depreciation	(19,828)	-	(1,170)	(20,998)
Loss before income tax	(143,217)	-	(775,320)	(918,537)
Segment assets and liabilities				
Property plant & equipment	1,735,327	-	-	1,735,327
Exploration assets	-	1,635,974	-	1,635,974
Other current assets	-	-	2,365,037	2,365,037
Liabilities	-	-	(158,609)	(158,609)
Net assets	1,735,327	1,635,974	2,206,428	5,577,729

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 21: SEGMENT REPORTING (CONTINUED)

	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	(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

NOTE 22: PARENT ENTITY DISCLOSURES

As at, and throughout the year ended 30 June 2012, the parent company of the Group was Eneabba Gas Limited.

	Company 2012 \$	Company 2011 \$
Result of the parent entity		
Loss for the year	(491,446)	(8,411,822)
Other comprehensive income	-	-
Total comprehensive loss for the year	(491,446)	(8,411,822)
Financial position of the parent entity at year end		
Current assets	1,489,929	400,655
Non-Current assets	-	2,585,760
Total assets	1,489,929	2,986,415
Current liabilities	158,609	607,081
Total liabilities	158,609	607,081
Total equity of the parent entity comprising of:		
Share capital	13,254,665	11,189,034
Options reserve	1,301,560	1,072,840
Accumulated losses	(13,224,905)	(9,882,540)
Total equity	1,331,320	2,379,334

ENEABBA GAS LIMITED
ABN: 69 107 385 884

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

NOTE 22: PARENT ENTITY DISCLOSURES (CONTINUED)

Parent Entity Contingencies

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 30 June 2012.

NOTE 23: SUBSEQUENT EVENTS

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 24: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2012.

ENEABBA GAS LIMITED
ABN: 69 107 385 884

DIRECTORS' DECLARATION

In the Directors' opinion:

- a) the accompanying financial statements set out on pages 18 to 45 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and
 - ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;
- 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.
- c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the year ended 30 June 2012.

This declaration is made in accordance with a resolution of the Board of Directors.



John Arndell
Non-Executive Chairman
Perth
22 August 2012

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

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation 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 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

INDEPENDENT AUDITOR'S REPORT (continued)

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of Eneabba Gas Limited for the financial year ended 30 June 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report and remuneration report. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

Auditor's opinion

In our opinion:

- (a) the financial report of Eneabba Gas Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

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

Auditor's opinion

In our opinion, the Remuneration Report of Eneabba Gas Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.



HLB MANN JUDD
Chartered Accountants



L DI GIALLONARDO
Partner

Perth, Western Australia
22 August 2012

ENEABBA GAS LIMITED
ABN: 69 107 385 884

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issue capital of the Company at 22 August 2012 is 160,418,038 ordinary fully paid shares. All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 22 AUGUST 2012

		No. of Shares Held	% Held
1	Kuang Koo Sing + Lai Wah*	17,450,842	10.88%
2	Dbv Vickers Sec Singapore	14,701,106	9.16%
3	Hemisphere Investment Partners Pty Ltd	9,744,683	6.07%
4	Goh Thomas Lik Cheng	8,450,554	5.27%
5	Jaek Holdings Pty Ltd*	6,272,744	3.91%
6	Wan Kar Chan + Yin Wan	5,250,000	3.27%
7	Lee Clara Lin-K'un	3,499,999	2.18%
8	Whiddon Glenn Ross*	3,256,732	2.03%
9	Hong Wee Kee	3,255,000	2.03%
10	Nugent Owen William + Nugent Sean Martin	2,625,000	1.64%
11	Amalgamation Sale & Takeover	2,600,000	1.62%
12	Saunders John Milton*	2,565,000	1.60%
13	Lee Fui Howe	2,449,999	1.53%
14	St Barnabas Inv Pty Ltd	2,382,961	1.49%
15	Cygnat Capital Pty Ltd	2,313,691	1.44%
16	Dixtru Pty Ltd	2,051,960	1.28%
17	Teo Augustine Chew Teck	2,021,499	1.25%
18	Whithorn Nominees Pty Ltd	1,666,667	1.04%
19	St Barnabas Inv Pty Ltd	1,609,538	1.00%
20	Kee Hong Wee	1,500,000	0.94%
		95,658,975	59.63%

*denotes merged holdings

Shares Range

1 – 1,000
1,001 – 5,000
5,001 – 10,000
10,001 – 100,000
100,001 and over

	No. of Holders	No. of Shares
	29	1,705
	103	346,260
	191	1,599,468
	395	14,460,064
	140	144,010,541
	858	62,880,112

Number holding less than a marketable parcel at \$0.035 per share

372 2,552,039

Shareholders by Location

Australian holders
Overseas holders

	No. of Holders	No. of Shares
	832	119,219,998
	26	41,198,040
	858	160,418,038

VOTING RIGHTS

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of a shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held. No class of option holder has a right to vote, however the shares issued upon exercise of options will rank pari passu with the then existing issued fully paid ordinary shares.

SUBSTANTIAL SHAREHOLDERS AS AT 22 AUGUST 2012

		No. of Shares Held	% Held
1	Kuang Koo Sing + Lai Wah	17,450,842	10.88%
2	Dbv Vickers Sec Singapore	14,701,106	9.16%
3	Hemisphere Investment Partners Pty Ltd	9,744,683	6.07%
4	Goh Thomas Lik Cheng	8,450,554	5.27%
		50,347,185	31.38%

ENEABBA GAS LIMITED
ABN: 69 107 385 884

ASX ADDITIONAL INFORMATION (CONTINUED)

OPTION HOLDINGS

The Company has the following classes of options on issue at 22 August 2012 as detailed below. Options do not carry any rights to vote.

Class	Terms	No. of Options
ENBOC	Listed Options	Exercisable at \$0.15 expiring on or before 30 June 2012
		2,687,013
ENB-1	Unlisted Options	Exercisable at \$0.05 expiring on or before 31 August 2014
		23,250,000

LISTED OPTIONS

As at 22 August 2012 the Company has 2,687,013 listed options on issue. Listed Options do not carry any voting rights.

TOP 20 ENBOC HOLDERS AS AT 22 AUGUST 2012

		No. of Options Held	% Held
1	Kuang Koo Sing + Lai Wah	553,995	20.62%
2	Goh Thomas Lik Cheng	277,778	10.34%
3	Dbv Vickers Sec Singapore	208,535	7.76%
4	Wan Kar Chan + Yin Wan	166,667	6.20%
5	Tucker Brett William	150,396	5.60%
6	Eng Sun Lim	129,080	4.80%
7	Clara Lin-K'Un Lee	111,111	4.14%
8	Bradley Nominees Pty Ltd	103,409	3.85%
9	Nugent Owen William + Nugent Sean Martin	83,333	3.10%
10	Fui Howe Lee	77,778	2.89%
11	Augustine Chew Teck Teo	63,889	2.38%
12	Lewis Lick-Wei Wu	52,728	1.96%
13	Dr Michael Kwek & Jennie Kwek	40,000	1.49%
14	Kau Ling Kwan	33,334	1.24%
15	Reginald Norman Gillard	33,333	1.24%
16	Screaigh Peter & Screaigh Janette	33,333	1.24%
17	Wee Kee Hong	24,874	0.93%
18	Davsms Investments Pty Ltd	23,000	0.86%
19	BJ Morrell Super Pty Ltd	19,633	0.73%
20	Lai Heng Mok	19,444	0.72%
		2,205,650	82.09%

Options Range	No. of Holders	No. of Options
1 – 1,000	86	37,544
1,001 – 5,000	56	131,653
5,001 – 10,000	22	147,750
10,001 – 100,000	23	669,095
100,001 and over	8	1,700,971
	195	2,687,013

Option holders by Location

	No. of Holders	No. of Options
Australian holders	182	1,836,728
Overseas holders	13	850,285
	195	2,687,013

UNLISTED OPTIONS

Options Range	Unlisted Options	
	No. of Holders	No. of Options
1 – 1,000	-	-
1,001 – 5,000	-	-
5,001 – 10,000	-	-
10,001 – 100,000	3	200,000
100,001 and over	14	23,050,000
	28	23,250,000

ENEABBA GAS LIMITED
ABN: 69 107 385 884

ASX ADDITIONAL INFORMATION (CONTINUED)

SCHEDULE OF MINING TENEMENTS

As at the date of this report, Eneabba Gas Ltd has an interest in the following tenements:

Project	Tenement	Location	Interest held	Status
Sargon Coal Project	E70/2758	Western Australia	100%	Granted