



Eneabba Gas Limited

ABN 69 107 385 884

Media Release
21 December 2009

Strategic review underway to ensure a more timely development of Centauri-1 power station

Highlights;

- Strategic review of the Company is underway, focussed on evaluating the merits of the introduction of a new UCG development / gas supply partner or construction of a Company owned UCG facility on highly prospective tenement package,
- Tenement package has independently verified JORC compliant coal resource of 194 million tonnes, with an in-situ energy yield of 3,037 PJ and significant potential for sizeable increases based on recent and planned exploration¹,
- Review will allow Company facilitate a more timely development of its Centauri 1 gas-fired power station and realisation of value for the proposed development of the Company's coal tenements, which already have an independent valuation of up to A\$ 0.09 per GJ² (or A\$ 90,000 per PJ), and
- The Company is the proponent of 168MW Centauri 1 in Mid West region of Western Australian capable of meeting the power needs of the majority of larger mining projects in region.

Australian energy company Eneabba Gas Limited (ASX: ENB) "ENB" or "the Company") would like to update the market in relation to the strategic review announced to the ASX on 9 December 2009, which has commenced, and how this will, in the Company's view, facilitate a more timely development of its proposed gas-fired 168MW Centauri 1 Power Station project ("Centauri-1") near Dongara in Western Australia.

This strategic review is focussed on the following two key opportunities, the associated pros and cons, and the ability of each to assist in releasing the value of the Company's coal tenements and advancing the development of Centauri-1;

1. The introduction of new Underground Coal Gasification ("UCG") development/ gas supply partner

With the Company terminating the Heads of Agreement (HoA) with Carbon Energy Limited (ASX: CNX) and with an exclusivity agreement now no longer in place, the Company is free to, and in fact has commenced, discussions with a range of companies capable of developing a UCG project and the capability to enter into a Gas Supply Agreement with ENB.

2. The construction of an ENB owned UCG facility

By utilising in-house and external technical capabilities, ENB is of the view that it has the capabilities to retain 100% ownership of the Eneabba Mining Pty Ltd ("EMPL") Sargon Group tenement package and construct a UCG facility that has the capability of extracting the required levels of UCG Syngas to supply Centauri-1. The Company may also work with strategic partners who are prepared to fund or supply J-V arrangements for its projects.

ENB has already been approached by a number of such providers who are of the opinion that they have the capacity to construct a UCG plant capable of meeting the needs of Centauri-1.

¹ Refer ASX announcement dated 30 October 2009

² Refer ASX announcement dated 9 December 2009

The Company is currently evaluating the construction of a UCG pilot plant in early 2010, either in a sole operator or partnership agreement. The Environmental Protection Authority of Western Australia is aware of the Company's plans in this regard.

It should be noted that any discussions in relation to the above are preliminary in nature and once they reach a more formal, commercial or completed stage, an announcement will then be made to the ASX.

Coal Tenement Package

EGL, through its wholly owned subsidiary Eneabba Mining Pty Ltd (EMPL), owns 10 exploration tenements that cover an area of approximately 1,175 sq km, the majority of which are considered highly prospective for supply via standard UCG technology (refer Figure 1) ("Sargon Tenements").

As announced to the ASX 30 October 2009, independent analysis by Xenith Consulting ('Xenith') has confirmed a JORC compliant coal resource of 194 million tonnes, with an in-situ energy yield of 3,037 PJ. The Company is confident that this resource will grow significantly, as the Xenith analysis was focused on limited drilling and only one of the ten tenements comprising the Sargon Tenements comprising an area of approximately 210 sq km.

The 2009 initial energy yield is equivalent to the power needs (at 365 MW p.a.) of over 100 years of fuel supply for Centauri 1. On current estimates, (given the implied recoverable UCG (50%-58%) provides ENB with 1,520 PJ energy availability) this represents the power requirements for 75 million tonnes of iron ore mining p.a., with capacity for future expansion.

As announced to the ASX 9 December 2009 Xstract Mining Consultants Pty Ltd ("Xstract") was engaged to undertake an analysis of the Company's positioning in the market with regards to;

- The Company's JORC Code Resource Statement,
- Recent transactions related to projects offering underground coal gasification ("UCG") potential, and
- The positioning of the Company's coal resources relative to other UCG participants.

Based on the above Xstract provided an Independent valuation of the existing in situ energy yield with the Sargon Tenements of A\$0.02 to 0.09 per GJ (or A\$20,000 to A\$90,000 per PJ). Based on these results, recent peer transaction multiples, potential for further exploration success and resource upgrades from the Sargon Tenements and Centauri-1 development milestones achieved to date (positioning the development of a Power Station to be completed within 14 months), the Company believes the outcome of the strategic review and determination of the development path going forward will lead to a realisation of value of the Company's assets.

The Company is also confident that with the 3P recoverable gas reserves being identified and 'demonstrated' after 2010 exploration program, the Company will be in a position to upgrade the confidence of the Sargon Tenements and move its current energy value closer to that achieved by other recent public transactions of A\$0.18 per GJ (or A\$ 180,000 per PJ)³.

The strategic review is expected to be completed by the end of January 2010, and upon completion the Company will release the results of this review to the ASX.

For further information please contact:

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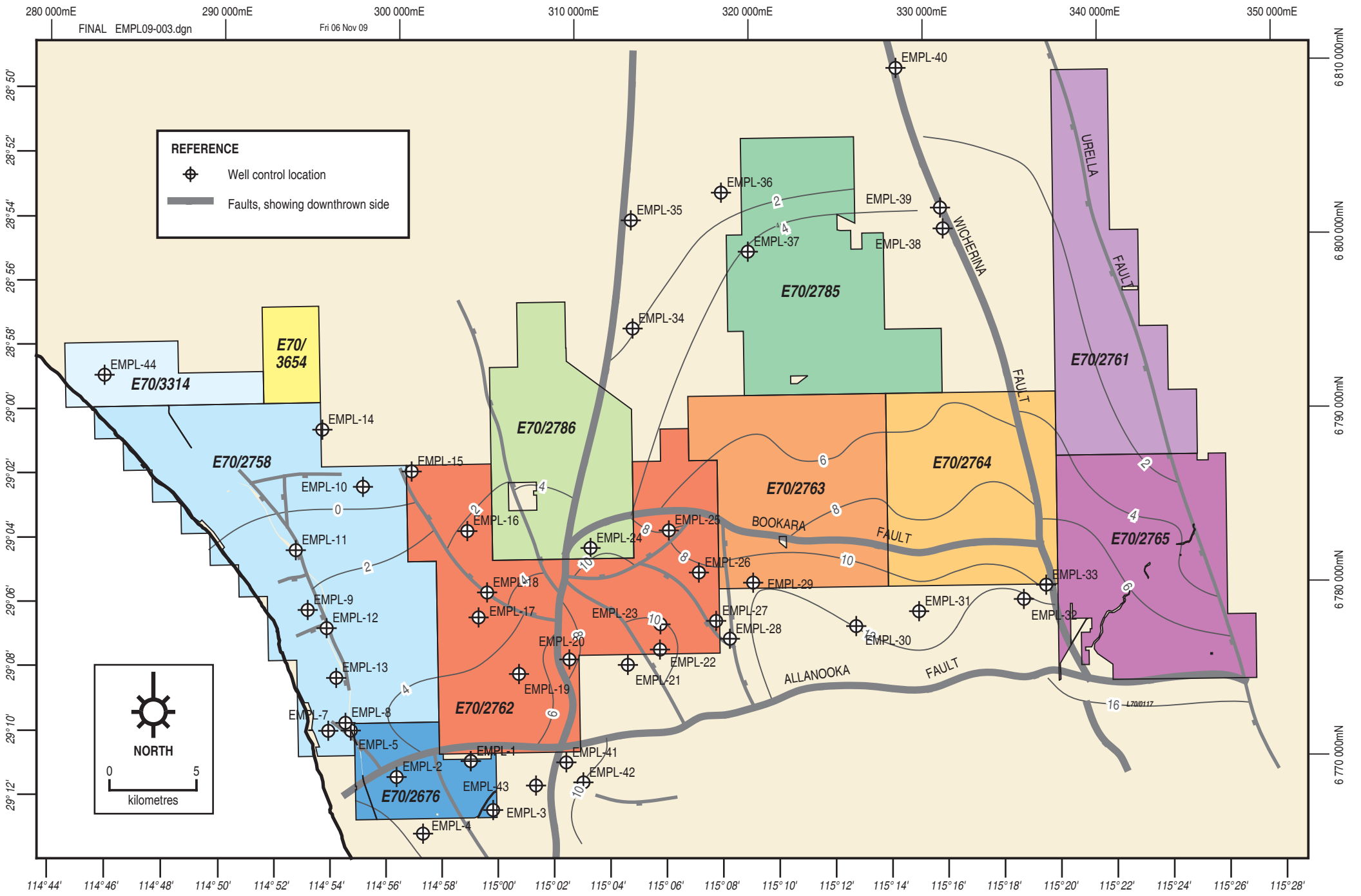
Competent Persons Statement

The information in this report relating to exploration 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 report of the matters based on the information, in the form and context in which it appears.

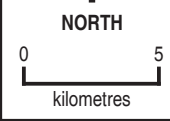
³ Refer ASX announcement dated 9 December 2009



SARGON GROUP OF TENEMENTS - NOVEMBER 2009

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Eneabba Gas Limited
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