ENEABBA GAS LIMITED

ABN 69 107 385 884

Annual Financial Report

30 June 2010

Registered Office and Principal Place of Business:
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ANNUAL GENERAL MEETING

The Annual General Meeting of Eneabba Gas Limited will be held at Holiday Inn City Centre Perth, 778-788 Hay Street, Perth, Western Australia, Australia at 11.30am on Friday, 12 November 2010.

STOCK EXCHANGE LISTING

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

Reference in this report to 'year' or 'financial year' means the 12 months ended 30 June 2010. All units of currency are expressed in Australian dollars unless otherwise specified.

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

CORPORATE DIRECTORY

Directors

Reginald N Gillard – Non-executive Chairman
Mark H Babidge – CEO & Managing Director
Christopher E Bennett – Non-executive director
Koo S Kuang – Non-executive director

Company Secretary

Simon L Robertson

Group Accountant

Joseph Lee

Registered Office

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West Perth WA 6005
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Postal Address

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West Perth WA 6872

Visit our website

www.eneabbagas.com.au

Auditors

Deloitte Touche Tohmatsu

Environmental Consultants

Strategen Environmental Consultants Pty Ltd

Geological Consultants

Westby Consulting Pty Ltd

Hydrogeological Consultants

Aquaterra

Independent Energy Advisers

ACIL Tasman Pty Ltd

Legal Adviser

Hardy Bowen

Power and Water Consultants

Worley Parsons Pty Ltd

Share Registry

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

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ENEABBA GAS LIMITED

MISSION STATEMENT

Eneabba Gas Limited is focused on developing resources that generate

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

THE CHAIRMAN'S LETTER

Dear Shareholder

The past year has seen a number of challenges and while the Company has met many milestones, the uncertainty in the Mid West and the hiatus created by the proposed Mining Tax has caused many companies to pause their investment processes.

Your Company's coal assets were deemed 'a significant resource', which has been demonstrated by the announced SRK Consulting, ASX compliant VALMIN valuation which achieved a medium value of A$186 million, following detailed sensitivity and general analysis.

The Company purchased approximately $1.0 m of gas and has this in storage at the APA Mondarra facility. While the WA Gas Market has been 'soft' due to a low energy demand from the Perth metro requirements, we anticipate the Company will receive a reasonable margin next summer.

Your Company is impressed by the technology of our technical partner Cougar Energy Limited, who has signed with the Company to undertake the UCG Syngas to be released from our coal resource. The team with Dr Len Walker of Cougar and Dr Michael Blinderman of Ergo Exergy have outstanding credentials with this technology.

The Centauri 1 Power Station is poised to be the only new energy generation capability in the Mid West. Once the UCG pilot plant and resultant delivery of Syngas is available, providing power to the Mid West with this technology is extremely economic and a very environmentally sustainable alternative available to the Government and people of Western Australia.

I would like to take this opportunity to thank Peter Oates who retired early this year. Peter joined the Eneabba Gas Limited Board mid 2006 and was a knowledgeable and significant contributor to the Company. Once again my great appreciation of the Managing Director, fellow board members and the staff for their outstanding efforts.

Reg Gillard
Chairman

14 September 2010

MANAGEMENT AND OPERATIONS REVIEW 2009-2010

During the 2009-2010 year the Company has confronted a number of challenges with the market making a modest recovery from the Global Financial Crisis, the growing development of the Mid West, with excessive changes to regulations.

Main Events and Milestones for Eneabba Gas Limited

The Company has achieved many significant milestones in the past twelve months including:

- an initial JORC compliant resource estimate which gave an extremely positive result, lifting the Company's tenements from "exploration potential" to a quantified initial JORC resource.

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- on 15th October 2009, the Company received confirmation from the EPA that the full Works Approval for the building of the Centauri I Power Station was granted without any other amendments.

- The final report from Xenith Consulting, following the finalisation of the drilling program for the 2009 calendar year confirms substantial JORC compliant coal resource of 194 million tonnes (74 million tonnes Indicated and 119 million tonnes Inferred) in the first of the Company's ten Western Australia Mid West tenements.

On 9 December 2009, the company advised Carbon Energy Limited that it had decided not to extend the terms of the Heads of Agreement, which was due to expire on 18 December 2009.

- During the December quarter, the Company completed the purchase of approximately $1.0m of Domgas.

- Discussions were held at the highest levels with the WA Government to assist in having UCG legislation included within the Mining Act 1978, an outcome which the Company believes would be advantageous to the development of its UCG project.

- Early in February 2010, the Company became as a member of the Association of Mining and Exploration Companies Inc ("AMEC") AMEC is the pre-eminent voice of the mineral exploration industry in Australia with a full membership almost three times larger than its nearest national counterpart. AMEC members are represented at both the national and state level on matters pertaining to encouraging mineral exploration in Australia.

- In March 2010, following mapping of the drill results on tenement E 70 / 2758 and a review of existing seismic results in the North Perth Basin, the Company identified additional extensions of the previously reported "C" and "D" seams.

- In mid April 2010, the Company signed a MoU with Cougar Energy Limited (ASX: CXY) for the development of its coal resources at its Sargon Tenements in Mid West WA. This will include exploration drilling and establishment of a pilot plant for Underground Coal Gasification (UCG) near Dongara Western Australia to begin in mid 2010. The arrangement will also include access to the UCG technology of Ergo Exergy Technologies Inc (Cougar Energy's partner in its other UCG projects) for utilisation in this project.

- This arrangement was further formalised on 8 June 2010 when Cougar Energy Limited and Eneabba Gas Limited signed a Binding UCG Joint Venture Terms Sheet to develop the Sargon Coal tenements in Mid West Region of Western Australia. This included;
  - (a) Terms being set for a 50 / 50 UCG and power generation joint venture
  - (b) Cougar Energy's UCG technology partner to be engaged on the project
  - (c) Project phase due diligence to commence immediately
  - (d) Assist and together engage with the State Government to develop the project in the shortest possible time frame.

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

Exploration

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

Following the Strategic Review the Company has, along with detailed discussions with Cougar Energy Limited, agreed to reduce the areas in each tenement that no longer deemed to be suitable for UCG operations. We had May 2009 to strategically engage a small area (70 / 3654) but it was not required once we had completed the JORC analyses.

A detailed summary table is given of the tenements in the rear of this report, which has reduced the minimum tenement expenditure for the 2010 exploration season by $132,500 and for 2011 exploration season $282,500. These amounts will ensure that the Company can manage exploration expenditure timing and its working capital more effectively.

The Company has been very pleased with the exploration programme to date. The Report from leading independent consultants Xenith Consulting Pty Ltd is the third in the series. The first was 5 August 2009, which delineated the initial "sweet spot" in tenement E 70 / 2758. On 19 August 2009 the second Report covered the whole of the Sargon Tenements and reported

"The large size of the overall Sargon group tenements when combined with the encouraging exploration results from tenement E 70 / 2758 suggest that the Mid West area could host a number of coal mineralisation targets suitable for Underground Coal Gasification ("UCG") technology."

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

Total Ytd Inferred	Million Tonnes	MJ /kg	PJ insitu	
	33		16	**524 PJ**
Total Ytd Indicated	Million Tonnes	MJ / kg	PJ insitu	
	128		16	**2,036 PJ**
TOTAL	**161**			**2,561 PJ**

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

The Company has completed drilling in its coal deposits within its Sargon Tenements in the Mid West of W.A. Mosslake Drilling Services Pty Ltd have, with their Rig 18 completed drilling of a total of twenty three (23) holes near Dongara, with the last hole completed on Wednesday 30 September 2009. Some 5,499 metres were achieved and the last hole drilled resulted in 3.01 metres thickness in the D Seam and 1.40 metres in the C Seam (total 4.41 metres). These last hole drilling results exceeded expectation, since the average thickness ytd has been 2.69 metres in the D Seam and 1.25 in the C Seam (total 3.94 metres).

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

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

Total Ytd Indicated	Million Tonnes	MJ / kg	PJ insitu	
	74	15.75	1,875	PJ
Total Ytd Inferred	Million Tonnes	MJ /kg	PJ insitu	
	119	15.66	1,162	PJ
TOTAL	**194**		**3,037**	**PJ**

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

Coal Valuation

In May 2010 the Company engaged SRK Consulting conducted independent technical assessment of Sargon coal resource in WA**.** The Company believes the result of the valuation report, in which SRK Consulting gives a preferred value on the project of A$186M, provides further support for the concept of utilisation of the Sargon Coal resource as an UCG project – the first UCG project proposed to be developed in Western Australia.

Final Recommended SRK Valuation - Sargon Coal Resource

Summary Total Valuation	Low	Preferred	High
In-situ coal value (A$M)	134	186	242
Equivalent Syngas product value A$/GJ	0.07	0.09	0.11

The ability of the Sargon Coal resource to be successfully developed into a UCG, with our partner Cougar Energy Limited project will play a key role in the development of the Company's proposed 168MW Centauri 1 gas-fired Power Station project near Dongara in Western Australia.

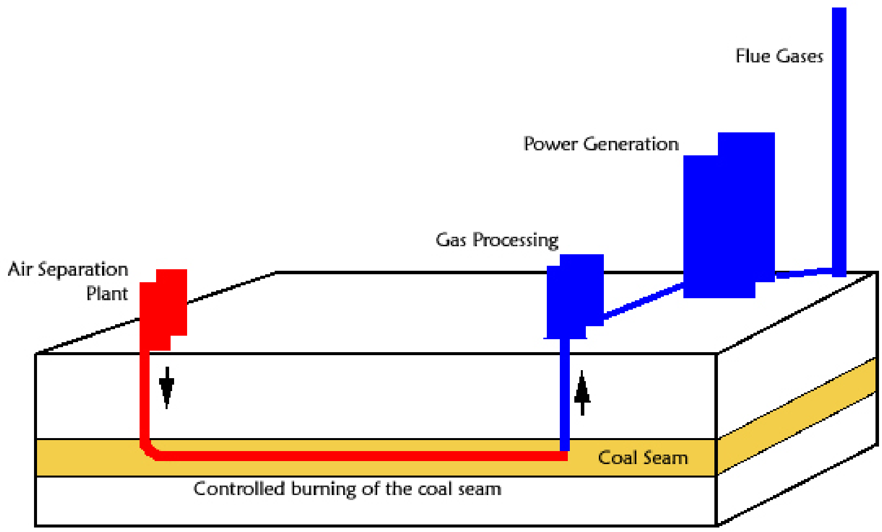
SRK applied a risk-based valuation on two levels. Firstly, SRK estimated the probability that the project will proceed as expected from its current stage to the successful utilisation of the reported resource. Based on the application of project risk factors described in detail in the attached SRK report, a valuation model was developed as presented in Table 6-1 of the SRK Report (see our website for full details). Secondly, this valuation model was analysed for uncertainty in the input factors used to generate the valuation model.

The valuation is most sensitive to four aspects of the projects; the Syngas market price, the probability of future drilling success, market conditions and the amount of Indicated Resource in the valuation. As expected, the most significant aspect is the Syngas market price – which is a measure of the calorific value of the syngas as well as market conditions (as low calorific value gas is worth less in the marketplace).

Underground Coal Gasification ("UCG")

The basic UCG process consists of one production well drilled into the unmined coal seam for injection of oxidants, and another production well to bring the product gas to surface. The coal seam is ignited via the first well and burns at temperatures as high as 1500 K, generating carbon dioxide, hydrogen, carbon monoxide and small quantities of methane and hydrogen sulphide at high pressure. As the coalface burns and the immediate area is depleted, the oxidants injected are controlled by the operator, ultimately with the objective of guiding the burn along the seam.

Diagrammatic representation of a UCG power generation facility



As coal varies considerably in its resistance to flow of gases through the formation, depending on its age, composition and geological history, the natural permeability of the coal to transport the gas is generally not satisfactory. For high-pressure break-up of the coal, hydrofraccing, an electric-linkage, and reverse combustion may be used with varying degrees.

Syngas is a versatile product that can be used in power generation, transformed into liquid fuels, or used for chemical production. UCG may have a potential built in capacity for carbon sequestration with major environmental benefits compared to traditional coal utilisation, including significant reductions in emissions of SOx, NOx, heavy metals and particulate matter, solid wastes, and has a small surface footprint.

Australia has been at the international forefront in commercialisation of UCG technology. Dr Len Walker of Cougar Energy Limited has been active in this field since 1981, culminating in the successful pilot demonstration at Chinchilla (Qld) from 1999 to 2002, while CSIRO has been involved in development of the UCG technology for over ten years. The technology has been in use internationally for over 60 years. Three pilot plants have been activated in Queensland, the earliest in 1999. The Company's strategic position is to convert the coal in its highly prospective tenement package in the Mid West Region of Western Australia into

UCG Syngas for fuel. While UCG is the gasification of burning coal underground, it is the Company's intention to capture the resultant CO_2 (geo-sequestration), which may potentially be injected into an existing geological formation. This process will significantly reduce the total carbon footprint of the project, farming of land will remain relatively uninterrupted and water resources will be preserved. In other words, energy in the coal is extracted without the environmental impacts associated with traditional coal-mining. These latest actions support the Company's commercial position as it continues to develop its Sargon Tenements in the Mid West

During March, the Company became a member of the Global Underground Coal Gasification Partnership ("UCGP"), which is internationally based out of the UK. The UCGP represents the interests of UCG organizations, academics, scientific and technical staff globally.

The Department of Mines and Petroleum (DMP) released a background consultation paper for stakeholder comment. DMP is of the recommended view that the *Mining Act 1978* should be amended to enable UCG process to be used in WA and legislation is planned to be enacted in the next amended Mining Act 1978 legislative review.

The Company is well on its way having completed its strategic review and is focussed to be the first commercial UCG operator within Western Australia.

As indicated in our milestones for this report, we engaged with Cougar Energy Limited immediately after our notice period in December 2009. Significant investigation and technical discussion occurred and as a result the MoU with Cougar Energy Limited was signed in April.

Following the required governance and technical undertakings, the final Binding UCG Joint Venture Terms Sheet was signed in early June. Highlights are:

- Cougar Energy Limited will initially have a 50% interest in tenement E 70 / 2758 and an option for further interest in the remaining Sargon Tenements,
- The UCG technology of Ergo Exergy Technologies Inc (Cougar Energy's partner in its other UCG projects) will be utilised in this project,
- Eneabba's strategic review is nearing completion, with the Sargon Tenement E 70 / 2758 review of the hydrogeology now ready for supporting final planning of a UCG pilot plant in the area, and
- Eneabba is the proponent of a 168MW Centauri 1 gas-fired Power station in the Mid West Region of W.A. capable of meeting the power needs of the majority of larger mining projects in the region.

UCG and the Mining Act

The Company has been seeking the required W.A. Mining Act amendments for UCG for some time, so that this capability is within the legislative framework and operation in this State and the developments of this technology on our tenements in the Mid West.

The advice that has been given by the Minister and the Department of Minerals & Petroleum is that a policy in regard UCG has been presented. As has been advised, so that UCG "syngas" is available as a fuel source for our Centauri 1 Power Station near Dongara.

We have DMP support to have this for presentation in the spring of 2010. The Minister and DMP have also agreed to:

- Progress UCG legislation and regulations as soon as practicable to Cabinet
- Provide a Ministerial announcement once Cabinet has agreed the UCG policy decision
- Provide Ministerial support for a pilot trial with the EPA on the selected Company site
- Assist and give co-operative support with the EPA, for the EPA pilot trial
- Assist, with departmental support for the Company to lodge an interim mine plan that may be required by the EPA for such a pilot plant to proceed.

The Company believes that this request will significantly enhance the ability to assist in growing the mining capability of Mid West iron ore projects to ensure they have direct power supply and at the same time significantly reduce costs to government of such a supply in the immediate / near timeframe.

Centauri-1 Power Station

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

In the past twelve months the Company has stepped up its activities regarding the development of its Centauri 1 Power Station. To date it is the **ONLY** energy company in the Mid West to receive all the various Government approvals needed for the rapid development of this vital piece of infrastructure, including Planning Approval from the Shire of Irwin, the Environmental Protection Authority (EPA) and the Department of Industry and Resources (DoIR). The Company is also the **ONLY** holder of an Economic Regulation

Authority (ERA) generation licence in the Mid West for projects planned to support Oakajee Deep Water Port. The Company is also the only energy company in the Mid West to have finalised all technical aspects associated with its Centauri 1 Power Station, and has also reached agreement to acquire four GE LM 6000 gas - fired turbines. This allows construction to commence on site immediately. The Company expects its Centauri 1 Power Station to be operational in approximately 14 months, or as soon as take or pay contracts for Mid West iron ore customers are confirmed.

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

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

More than that, the Company is also able to bring our power station on line within any timeframe required from any end users, at a cost that is significantly less than any current or potential energy competitors. We are also talking about ‘real’ technologies, not technologies that may be in effect in the next 10 - 15 years as we strongly believe that these ‘future anticipated solutions’ are of no practical use to mining companies wanting to get projects up and running within the next five years.

The miners will not only have the ability of local generation, but power at much reduced price to assist in their project’s economic benefit, thereby supporting the State Government’s desire and vision for the Oakajee Port to commence.

Unique Location

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

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

Eneabba Gas Limited is a Greenhouse Challenge Plus Member, which means that in addition to the strong technical and economic credentials of the Centuri-1 Power Station the Company has also focussed on ensuring the Centauri 1 power station will be a ‘carbon neutral’ site. This will be done through the conservation of some 3,000 acres of remnant bush, which has been confirmed by the Greenhouse Office to offset some 30.5 MW equivalent of carbon credits.

Gas Inventory

The Company re-stocked its gas reserves with a payment of approximately $1.0 million as at December 2009. Gas is being stored via the APA Group facility at Mondarra, some 11 kms east of the Company’s Dongara site. This Domgas may be either held to commission the Centauri-1 Power Station or sold at favorable market prices.

In November, the Company registered as an authorised company for trading by the Australian National Registry of Emissions Unit. This allows the Company to trade, in due course, under the proposed CPRS and in the international carbon market.

Non renounceable Entitlement Offer

The Company has received applications in respect of its non renounceable Entitlement Offer as follows: Entitlement applications of some 6,643,052 Ordinary Shares and some 2,214,347 Free Attaching Options. In addition the shortfall applications received 1,417,990 Ordinary Shares and 472,666 Free Attaching Options. The total applications received some 8,061,042 Ordinary shares and 2,687,013 Free Attaching Options.

The Directors are delighted with the support received from shareholders and investors as evidenced by the total number of applications received given that the closing date was during the last week of the Federal Election. A total of 198 shareholders and new investors participated in the Entitlement and Shortfall Offers.

The board is particularly pleased with the participation by the Company's top 50 shareholders in the entitlement offer. Net proceeds from the issue were $774,039.

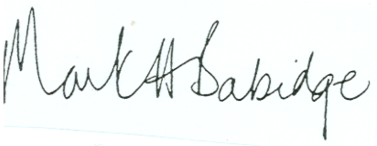
Administration

The ASX has recommended that listed companies give an indication of gender balance.
The company employed as at year end, only five employees.

Executives with postgraduate qualifications	2 M	1 F
Administration staff with tertiary qualifications		2 F

The renewal in August 2009 of a further three years commercial lease of the Offices in Ord Street West Perth was secured on favourable terms and with the JV with Cougar Energy and the proposed activity as a result, the offices are adequate to facilitate these increase developments.

The Company has in this year, as indicated above, a dedicated and very small office team which reacts and is complimented by a number of committed consultants, service providers and supporters who have assisted with the development of the Company. I sincerely wish to thank these people for believing in the Company's vision and most importantly their untiring support in the challenging past 12 months.



Mark Babidge
Managing Director
14 September 2010

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

BOARD OF DIRECTORS

Reginald N. GILLARD - Chairman and Non Executive Director

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

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

During the past three years he has also served as a Chairman of the listed companies, Aspen Group Limited *, Perseus Mining Limited *, Caspian Oil & Gas Limited #, Lindian Resources Limited # (appointed 30 October 2006), Tiger Resources Limited * (appointed 9 December 2005), Lafayette Mining Limited (ceased 20 June 2008), Pioneer Nickel Limited (ceased 13 June 2008), Elemental Minerals Limited (appointed 6 June 2006 and ceased 30 June 2008) and Platina Resources Limited * (appointed 1 July 2009).

* Denotes current directorship # Resigned August 2010

Mark H. BABIDGE - Chief Executive Officer and Managing Director

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

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

Christopher E. BENNETT - Non Executive Director

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

He is the Chairman of the Audit and Risk Committee and a member of the Corporate Governance Committee.

Koo Sing KUANG - Non Executive Director

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

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

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.

RESPONSES TO ASX CORPORATE GOVERNANCE RECOMMENDATIONS

Adoption of ASX Principles Recommendations

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

Principle 1: Lay solid foundations for management and oversight

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

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

Principle 2: Structure the Board to add value

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

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

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

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

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

Principle 3: Promote ethical and responsible decision-making

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

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

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

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

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

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

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

Principle 4: Safeguard integrity in financial reporting

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

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

Principle 5: Make timely and balanced disclosure

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

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

Principle 6: Respect the rights of shareholders

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

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

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

Principle 7: Recognise and manage risk

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

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

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

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

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

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

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

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

Principle 8: Remunerate fairly and responsibly

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

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

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

DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities for the financial year ended 30 June 2010.

Directors

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

R N Gillard	Chairman
M H Babidge	Chief Executive Officer and Managing Director
C E Bennett	Non-executive Director
K S Kuang	Non-executive Director, appointed 18 September 2009
P R Oates	Non-executive Director, resigned 23 March 2010

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

Company Secretary

S L Robertson has been the Company Secretary of Eneabba Gas Limited from his appointment on the 21 August 2009. S M Shah was the Company Secretary until his resignation on the 21 August 2009.

Principal activities

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

Operating results and review of operations

The consolidated loss of the economic entity after providing for income tax was $1,801,376 (2009: a profit of $548,336). A review of operations can be found on pages 6,7,8,9, 10 and 11 "Management & Operations Review 2009-2010"

Future developments

The Company is planning that the initial drilling and technical work programmes leading to the installation of a pilot plant during the development stage of the Sargon tenements will be completed during the next financial year.

Significant changes in the state of affairs

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

Dividends paid or recommended

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

After balance date events

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

Subsequent to balance date the Company completed a non-renounceable entitlement offer as a consequence of which 8,061,042 ordinary shares were issued at an issue price of $0.095 together with 2,687,013 listed options and 500,000 unlisted options exercisable on or before 30 June 2013 at a strike price of $0.15. Net proceeds of the issue were $774,039.

Options exercisable at $0.15 each, expiring on 30 June 2013 have been granted to directors resulting from their participation in the entitlement offer as follows:

	Total Options
M H Babidge	83,333
C E Bennett	11,111
R N Gillard	33,333
K S Kuang	555,106

Ordinary shares acquired by directors resulting from their participation in the entitlement offer as follows:

	Total Shares
M H Babidge	250,000
C E Bennett	33,333
R N Gillard	100,000
K S Kuang	1,665,318

Environmental issues

The operations of the consolidated entity are subject to environmental regulation under the laws of the Commonwealth and the States in which those operations are conducted. The Directors are not aware of any environmental matters that would have a materially adverse impact on the overall business of the Consolidated Entity. There have been no known breaches of environmental laws or permit conditions while conducting operations during the year.

Risk management

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

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

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

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

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

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

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

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

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

Information on directors

The qualifications, experience and directorships of other listed entitles of Directors are shown on page 12 of this Annual Report.

Remuneration report

Remuneration policy for specified directors

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

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

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

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

Managing Director

With effect from 1 September 2009, the annual base salary and allowances of the Managing Director was as follows:

	Base Salary $	Superannuation $	Allowances $
M H Babidge	240,000	21,600	19,200

The Managing Director is also entitled to 20 days annual leave with 17.5% annual leave loading and an entitlement to long service leave calculated in accordance with the provisions of the relevant legislation. Either the Company or the Managing Director may elect to terminate the agreed arrangements by the giving of three (3) months notice.

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

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

Non-executive directors

At the 2009 Annual General Meeting, shareholders approved an increase of $150,000 bringing the pool to $350,000 per annum for non-executive directors' fees. The Board has subsequently agreed that the Chairman will receive annual remuneration of $70,000 plus superannuation at the statutory guarantee level and allowances of $19,200 per annum and other non-executive directors will receive annual compensation of $65,000 plus superannuation at the statutory guarantee level plus an allowance of $1,200.

Directors receive no additional compensation for membership of Board Committees.

Other officers

The Company has paid fees of $44,662 to SLR Consulting Pty Ltd, a company in which the Company Secretary S L Robertson has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

The Company has paid fees of $10,619 to Corporate Consultants Pty Ltd, a company in which the former Company Secretary S M Shah has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

Executive options

The non cash value of options forming part of the Managing Director's remuneration was calculated pursuant to an independent valuation prepared by BDO Kendalls dated 17 July 2008 in connection with a resolution approved by shareholders at the 2008 Annual General Meeting held on 8 September 2008 to grant incentive based options. The valuation used Black-Scholes methodology and included the following parameters: Underlying spot price $0.10, exercise price $0.001, dividend rate is nil, standard deviation of returns 115%, risk free rate 6.56%. The value of these options at the date of grant was determined by BDO Kendalls to be $0.0991.

On 12 November 2009, 2,500,000 options were exercised upon reaching the milestone for the exercise for those options. At the date of exercise the share price was $0.32. A further 5,000,000 options lapsed as at 30 June 2010 because the conditions specified for exercise were not achieved by that date. The share price at 30 June 2010 was $0.11.

Nominations and Remuneration Committee

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

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

Directors' remuneration

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

		Short Term Benefits					
	Year	**Salaries and Fees**	**Bonuses and Special Fees**	**Allowances[1]**	**Post Employment Benefits[2]**	**Share Based Payments**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Managing director:							
M H Babidge	**2010**	**209,256**	-	**19,200**	**23,077**	**253,500**	**505,033**
	2009	200,758	50,000	18,625	22,350	253,500	545,233
Total	**2010**	**209,256**	**-**	**19,200**	**23,077**	**253,500**	**505,033**
	2009	200,758	50,000	18,625	22,350	253,500	545,233
Non-executive directors:							
C E Bennett	**2010**	**60,833**	**-**	**1,200**	**5,475**	**-**	**67,508**
	2009	52,500	-	1,125	4,725	-	58,350
R N Gillard	**2010**	**67,911**	**-**	**19,200**	**6,115**	**-**	**93,226**
	2009	62,500	-	18,625	5,625	-	86,750
P R Oates[3]	**2010**	**44,583**	**-**	**900**	**4,012**	**-**	**49,495**
	2009	52,500	9,384	1,125	4,725	-	67,734
K S Kuang[4]	**2010**	**48,871**	**-**	**2,140**	**4,403**	**-**	**55,414**
	2009	-	-	-	-	-	-
Total	**2010**	**222,198**	**-**	**23,440**	**20,005**	**-**	**265,643**
	2009	167,500	9,384	20,875	15,075	-	212,834
Total	**2010**	**431,454**	**-**	**42,640**	**43,082**	**253,500**	**770,676**
	2009	368,258	59,384	39,500	37,425	253,500	758,067

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

1 The amounts included in this column include allowances for out-of-pocket expenses.
2 The benefits included in this column include superannuation.
3 P R Oates retired as a director on 23 March 2010.
4 K S Kuang was appointed as a director on 18 September 2009.

Executive Remuneration

Apart from Mr Babidge the Managing Director, the Company employed only two other persons as executives during the year.

	Year	Short Term Benefits Salaries and Fees $	Short Term Benefits Bonuses and Special Fees $	Short Term Benefits Allowances $	Post Employment Benefits $	Total $
S P Haigh[1]	**2010**	**164,452**	-	**18,500**	**18,065**	**201,017**
	2009	-	-	-	-	-
J W Cleasby	**2010**	**75,216**	**-**	**-**	**7,801**	**83,017**
	2009	64,225	-	-	6,801	71,026
Total	**2010**	**239,668**	**-**	**18,500**	**25,866**	**284,034**
	2009	64,225	-	-	6,801	71,026

1 S P Haigh commenced employment on 29 June 2009 and ceased employment on 11 June 2010.

There were no options granted as part of remuneration of the above executives during 2010 and 2009.

OTHER MATTERS

Meetings of directors

During the financial year, 13 meetings of directors were held, with the following attendances:

	Scheduled Board Meetings		Special Board Meetings	
Director	**Meetings Eligible to Attend**	**Meetings Attended**	**Meetings Eligible to Attend**	**Meetings Attended**
M H Babidge	12	12	1	1
C E Bennett	12	12	1	1
R N Gillard	12	12	1	1
K S Kuang	8	8	1	1
P R Oates	9	9	1	-

	Audit Committee Meetings		Nominations and Remuneration Committee Meetings		Corporate Governance Committee Meetings	
Director	**Meetings Eligible to Attend**	**Meetings Attended**	**Meetings Eligible to Attend**	**Meetings Attended**	**Meetings Eligible to Attend**	**Meetings Attended**
M H Babidge	-	-	-	-	1	1
C E Bennett	2	2	-	-	1	1
R N Gillard	2	2	2	2	1	1
K S Kuang	-	-	-	-	1	1
P R Oates	2	2	2	2	1	1

Indemnifying officers and auditors

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

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

Shares under option

For details of options issued during the year, see note 14 (ii) in the financial statements.

There are 20,483,928 unissued ordinary shares for which options are outstanding at the date of this report.

Description	Number
25 cent unlisted options expiring 7 March 2011	1,200,000
20 cent listed options expiring 30 June 2012	16,096,915
15 cent listed options expiring 30 June 2013	2,687,013
15 cent unlisted options expiring 30 June 2013	500,000
Total	20,483,928

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

Shares issued on the exercise of options

During the financial year and up to the date of this Report, the Company issued a total of 3,632,800 fully paid ordinary shares comprising 879,466 fully paid ordinary shares at an issue price of $0.15, 250,000 fully paid ordinary shares at an issue price of $0.25 and 2,500,000 fully paid ordinary shares at an issue price of $0.001 upon the exercise of options.

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

	Total
M H Babidge	7,420,001
C E Bennett	273,333
R N Gillard	2,700,000
K S Kuang	11,657,228

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

	Total
M H Babidge	1,333,333
C E Bennett	1,044,445
R N Gillard	1,800,000
K S Kuang	2,242,439

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Risk Committee is satisfied that the provision of non-audit services by the entity's auditor, PKF, to 30 June 2010 and Deloitte Touche Tohmatsu effective 1 July 2010 is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of those non-audit services disclosed below did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor;

- The nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement APES110: Professional Independence.

During the year, no fees were paid or payable to PKF and its related parties or Deloitte Touche Tohmatsu and its related practices for the provision of non audit services.

Auditor's independence declaration

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on the next page.

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

R N Gillard
Chairman
14 September 2010

M H Babidge
Director
14 September 2010

Deloitte.

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

14 September 2010

Dear Board Members

Eneabba Gas Limited

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

As lead audit partner for the audit of the financial statements of Eneabba Gas Limited and its controlled entities for the financial year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants

Statement of Comprehensive Income
for the year ended 30 June 2010

		Consolidated		Parent	
		2010	2009	**2010**	2009
	Notes	**$**	$	**$**	$
Revenue from continuing operations					
Finance revenue		**85,922**	231,571	**85,922**	231,568
Sale of gas		**-**	3,710,000	**-**	-
Other income		**9,282**	8,812	**-**	2,500
Inter-company income		**-**	-	**1,243,141**	1,011,151
Total revenue from continuing operations		**95,204**	3,950,383	**1,329,063**	1,245,219
Expenses					
Cost of gas sold		**-**	(1,490,536)	**-**	-
Feasibility study costs		**(20,470)**	(90,078)	**-**	-
Employee benefits		**(1,231,512)**	(1,031,511)	**(1,231,512)**	(1,031,511)
Amortisation and depreciation		**(38,402)**	(16,304)	**(22,630)**	(10,518)
Other expenses		**(606,196)**	(773,618)	**(545,363)**	(550,243)
Total expenses from continuing operations		**(1,896,580)**	(3,402,047)	**(1,799,505)**	(1,592,272)
Profit (loss) from continuing operations before income tax	3	**(1,801,376)**	548,336	**(470,442)**	(347,053)
Income tax	4	**-**	-	**-**	-
Profit (loss) from continuing operations after tax		**(1,801,376)**	548,336	**(470,442)**	(347,053)
Profit (loss) attributable to members of Eneabba Gas Limited		**(1,801,376)**	548,336	**(470,442)**	(347,053)
Other comprehensive income for the year net of tax		-	-	-	-
Total comprehensive income attributable to members of Eneabba Gas Limited		**(1,801,376)**	548,336	**(470,442)**	(347,053)

		Cents	Cents
Basic earnings (loss) per share	23	**(2.35)**	0.74
Diluted earnings (loss) per share	23	**(2.35)**	0.61

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

Statement of Financial Position
as at 30 June 2010

		Consolidated		Parent	
		2010	2009	**2010**	2009
	Notes	**$**	$	**$**	$
ASSETS					
Current assets					
Cash and cash equivalents	5	**864,662**	4,746,382	**863,817**	4,745,576
Receivables		**15,131**	21,146	**3,712**	11,019
Prepayments		**46,624**	18,336	**21,624**	18,336
Inventories	7	**1,142,719**	-	**-**	-
Assets held for sale		**-**	1,820,140	**-**	-
Total current assets		**2,069,136**	6,606,004	**889,153**	4,774,931
Non-current assets					
Deposits	6	**25,000**	25,000	**25,000**	25,000
Receivables	8	**-**	-	**9,187,677**	5,179,793
Other financial assets	9	**-**	-	**400**	400
Property, plant and equipment	10	**1,691,258**	1,721,761	**14,952**	32,044
Exploration and evaluation assets	11	**3,200,015**	-	-	-
Prepayments		**125,000**	125,000	-	-
Total non-current assets		**5,041,273**	1,871,761	**9,228,029**	5,237,237
Total assets		**7,110,409**	8,477,765	**10,117,182**	10,012,168
LIABILITIES					
Current liabilities					
Payables		**74,110**	77,321	**69,126**	70,089
Unearned revenue	12	**517**	517	**-**	-
Provisions	13	**42,737**	58,216	**42,737**	58,216
Liabilities associated with assets held for sale		**-**	139,188	**-**	-
Total current liabilities		**117,364**	275,242	**111,863**	128,305
Total liabilities		**117,364**	275,242	**111,863**	128,305
Net assets		**6,993,045**	8,202,523	**10,005,319**	9,883,863
EQUITY					
Contributed equity	14	**10,451,196**	10,255,109	**10,451,196**	10,255,109
Option reserve	15	**1,024,840**	629,029	**1,024,840**	629,029
Accumulated losses	16	**(4,482,991)**	(2,681,615)	**(1,470,717)**	(1,000,275)
Total equity		**6,993,045**	8,202,523	**10,005,319**	9,883,863

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

Statement of Changes in Equity
for the year ended 30 June 2010

	Issued capital $	Reserves $	Accumulated losses $	Total equity $
Consolidated				
Shareholders' equity at 30 June 2008	10,221,327	145,400	(3,229,951)	7,136,776
Recognition of share based payments	-	358,000	-	358,000
Gross proceeds from issue of options	-	149,144	-	149,144
Less costs of option issue	-	(23,515)	-	(23,515)
Gross proceeds from exercise of options	33,782	-	-	33,782
Less costs of share issue	-	-	-	-
Profit (loss) for the year	-	-	548,336	548,336
Shareholders' equity at 30 June 2009	10,255,109	629,029	(2,681,615)	8,202,523
Recognition of share based payments	-	253,500	-	253,500
Gross proceeds from issue of options	-	161,002	-	161,002
Less costs of option issue	-	(18,691)	-	(18,691)
Gross proceeds from exercise of options	197,587	-	-	197,587
Less costs of share issue	(1,500)	-	-	(1,500)
Profit (loss) for the year	-	-	(1,801,376)	(1,801,376)
Shareholders' equity at 30 June 2010	10,451,196	1,024,840	(4,482,991)	6,993,045
Parent				
Shareholders' equity at 30 June 2008	10,221,327	145,400	(653,222)	9,713,505
Recognition of share based payments	-	358,000	-	358,000
Gross proceeds from issue of options	-	149,144	-	149,144
Less costs of option issue	-	(23,515)	-	(23,515)
Gross proceeds from exercise of options	33,782	-	-	33,782
Less costs of share issue	-	-	-	-
Profit (loss) for the year	-	-	(347,053)	(347,053)
Shareholders' equity at 30 June 2009	10,255,109	629,029	(1,000,275)	9,883,863
Recognition of share based payments	-	253,500	-	253,500
Gross proceeds from issue of options	-	161,002	-	161,002
Less costs of option issue	-	(18,691)	-	(18,691)
Gross proceeds from exercise of options	197,587	-	-	197,587
Less costs of share issue	(1,500)	-	-	(1,500)
Profit (loss) for the year	-	-	(470,442)	(470,442)
Shareholders' equity at 30 June 2010	10,451,196	1,024,840	(1,470,717)	10,005,319

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

Statement of Cash Flows
for the year ended 30 June 2010

		Consolidated		Parent	
		2010	2009	**2010**	2009
	Notes	**$**	$	**$**	$
Cash flows from operating activities					
Payments to suppliers and employees inclusive of GST		**(1,616,106)**	(1,368,596)	**(1,535,797)**	(1,197,805)
Payments for purchase of inventory		**(1,142,720)**	-	**-**	-
Interest received		**85,922**	231,570	**85,922**	231,568
Other income		**9,282**	8,812	**-**	2,500
Net cash flows from (used in) operating activities	25	**(2,663,622)**	(1,128,214)	**(1,449,875)**	(963,737)
Cash flows from investing activities					
Proceeds from sale of inventory		**-**	3,710,000	**-**	-
Payments for property, plant and equipment		**(5,537)**	(120,132)	**(5,537)**	(12,857)
Payments for exploration and evaluation activities		**(1,557,959)**	(725,623)	**-**	-
Repayments of loans to controlled entities		**-**	-	**378,517**	4,138,298
Loans to controlled entities		**-**	-	**(3,143,262)**	(1,432,800)
Net cash flows from (used in) investing activities		**(1,563,496)**	2,864,245	**(2,770,282)**	2,692,641
Cash flows from financing activities					
Gross proceeds from exercise of options		**196,087**	33,782	**195,487**	33,782
Proceeds from issue of options		**161,002**	149,144	**161,002**	149,144
Option issue costs		**(18,691)**	(20,327)	**(18,691)**	(20,327)
Net cash flows from financing activities		**338,398**	162,599	**337,798**	162,599
Net increase (decrease) in cash for the year		**(3,888,720)**	1,898,630	**(3,881,759)**	1,891,503
Cash at the beginning of the year		**4,753,382**	2,854,752	**4,745,576**	2,854,073
Cash at the end of the year	5	**864,662**	4,753,382	**863,817**	4,745,576

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

Notes to the Financial Statements
for the year ended 30 June 2010

Note 1 - Summary of Significant Accounting Policies

a) Basis of preparation

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

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

At 30 June 2010 the consolidated entity and the parent entity incurred losses of $1,801,376 and $470,442 respectively and had a consolidated entity and parent entity working capital surplus of $1,951,772 and $777,290 respectively.

The consolidated entity has work program commitments of $1,508,000, however the minimum spend is only $315,250. Subsequent to year end the Company completed a non-renounceable entitlement offer as a consequence of which 8,061,042 ordinary shares were issued at an issue price of $0.095 together with 2,687,013 listed options and 500,000 unlisted options exercisable on or before 30 June 2013 at a strike price of $0.15. Net proceeds of the issue were $774,039.

The directors have prepared cash flow forecasts that indicate the consolidated entity will have sufficient cash flow to meet working capital requirements, and minimum spend on tenements in order to retain them.

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

b) New Accounting Standards and Interpretations

The Company has adopted the following new and revised Australian Accounting Standard issued by the AASB which are mandatory to apply to the current year. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit and loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of a single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard.

Operating Segments – AASB 8

From 1 January 2009, operating segments are identified and segments information is disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Company's chief operating decision maker which, for the Company, is the board of directors. The introduction of this requirement has not affected the Group's segment reporting information.

c) Leases

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

d) Basis of consolidation

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

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

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

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

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Eneabba Gas Limited has control.

e) Property, plant and equipment

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

Plant and equipment:

Plant and equipment is measured on the cost basis.

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

Depreciation:

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a reducing balance basis over their estimated useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

f) Cash and cash equivalents

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

g) Discontinued operations

Non-current assets and disposal groups are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction. They are not depreciated or amortised. For an asset or disposal group to be classified as held for sale, it must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the income statement and the assets and liabilities are presented separately on the face of the balance sheet.

h) Revenue

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

Sale of gas

Revenue from the sale of gas is in regard to a one-off, off-market commercial sale of gas to a singular customer. The Company is not a gas trader. Revenue from the sale of gas is recognised when the significant risks and rewards of ownership have been transferred, when delivery has been made and title passed, when the amount of the revenue and the related costs can be reliably measured.

i) Income tax

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

j) Recoverable amount of non-current assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

k) Inventories

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

l) Exploration and evaluation expenditure

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

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

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

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

m) Provisions

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

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

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

n) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share are calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

o) Share based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by a binomial model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

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

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

p) Interest in a jointly controlled operation

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

Note 2 - Segment Reporting

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

2010	Electricity Generation $	Mineral Exploration $	Unallocated $	Consolidated $
Segment income				
Sale of gas	-	-	-	-
Interest received	-	-	85,922	85,922
Other income	-	-	9,282	9,282
Total income	-	-	95,204	95,204
Segment expenses				
Cost of gas sold	-	-	-	-
Feasibility study costs	(20,470)	-	-	(20,470)
Net other costs	-	-	(1,742,504)	(1,742,504)
Profit (loss) before amortisation and depreciation	(20,470)	-	(1,742,504)	(1,762,974)
Amortisation and depreciation	(15,536)	-	(22,866)	(38,402)
Profit (loss) before income tax benefits	(36,006)	-	(1,765,370)	(1,801,376)
Segment assets and liabilities				
Gas inventory assets	1,142,720	-	-	1,142,719
Other assets	1,674,180	3,200,015	1,093,495	5,967,690
Liabilities	-	(4,984)	(112,380)	(117,364)
Net assets	2,816,900	3,195,031	981,115	6,993,045
Segment cashflows				
Operating	(1,142,720)	-	(1,520,902)	(2,663,622)
Investing	-	(1,557,959)	(5,537)	(1,563,496)
Financing	-	-	338,398	338,398
Net cash movement	(1,142,720)	(1,557,959)	(1,188,041)	(3,888,720)

Note 2 - Segment Reporting (continued)

2009	Electricity Generation $	Mineral Exploration $	Unallocated $	Consolidated $
Segment income				
Sale of gas	3,710,000	-	-	3,710,000
Interest received	-	-	231,571	231,571
Other income	-	-	8,812	8,812
Total income	3,710,000	-	240,383	3,950,383
Segment expenses				
Cost of gas sold	(1,490,536)	-	-	(1,490,536)
Feasibility study costs	(90,078)	-	-	(90,078)
Net other costs	-		(1,805,091)	(1,805,091)
Profit (loss) before amortisation and depreciation	2,129,386	-	(1,564,708)	564,678
Amortisation and depreciation	(5,786)	-	(10,556)	(16,342)
Profit (loss) before income tax benefits	2,123,600	-	(1,575,264)	548,336
Segment assets and liabilities				
Gas inventory assets	-	-	-	-
Other assets	1,689,716	1,810,778	4,977,271	8,477,765
Liabilities	(7,232)	(139,187)	(128,823)	(275,242)
Net assets	1,682,484	1,671,591	4,848,448	8,202,523
Segment cashflows				
Operating	-	-	(1,128,214)	(1,128,214)
Investing	(191,610)	(641,288)	3,697,143	2,864,245
Financing	-	-	162,599	162,599
Net cash movement	(191,610)	(641,288)	2,731,528	1,898,630

Note 3 – Profit (Loss) Before Income Tax

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Profit (loss) before income tax is after crediting (charging) the following items				
Finance revenue – banks	**85,922**	231,571	**85,922**	231,568
Sale of gas	**-**	3,710,000	**-**	-
Cost of gas sold	**-**	(1,490,536)	**-**	-
Lease revenue – pastoral	**3,100**	3,100	**-**	-
Depreciation of plant and equipment	**(38,402)**	(16,342)	**(22,630)**	(10,518)
Legal costs	**(32,036)**	(81,010)	**(14,233)**	(10,061)
Feasibility study asset costs written off	**-**	(90,078)	**-**	-

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Note 3(a) – Employee benefits				
Wages and salaries	**(1,006,987)**	(679,729)	**(1,006,987)**	(679,729)
Employee entitlements:				
Provision for employee entitlements	**29,975**	(14,032)	**29,975**	(14,032)
Share based payments - executive options	**(253,500)**	(253,500)	**(253,500)**	(253,500)
Share based payments - employee options	**-**	(84,250)	**-**	(84,250)
Total employee benefits	**(1,231,512)**	(1,031,511)	**(1,231,512)**	(1,031,511)

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	**$**	$

Note 4 – Income Tax

Major components of income tax expense for the years ended 30 June 2010 and 2009 are:

	Consolidated 2010 $	Consolidated 2009 $	Parent 2010 $	Parent 2009 $
Income statement				
Current income				
Current income tax charge	**-**	-	**-**	-
Adjustments in respect of previous current income tax	**-**	-	**-**	-
Deferred income tax				
Relating to origination and reversal of temporary differences	**-**	-	**-**	-
Benefit from previously unrecognised tax loss used to reduce deferred tax expense	**-**	-	**-**	-
Income tax expense (benefit) reported in income statement	**-**	-	**-**	-

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Company's effective income tax rate for the years ended 30 June 2010 and 2009 is as follows:

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	**$**	$
Accounting profit (loss) before tax from continuing operations	**(1,801,376)**	548,338	**(470,442)**	(347,053)
Loss before tax from discontinued operations	**-**	-	**-**	-
Accounting profit (loss) before income tax	**(1,801,376)**	548,338	**(470,442)**	(347,053)
Tax at the statutory rate of 30% (2009: 30%):	**(540,412)**	164,501	**(141,133)**	(104,116)
Non-deductible expenses	**81,479**	351,760	**76,482**	110,932
Tax loss and temporary differences not brought to account as deferred tax assets	**-**	-	**-**	-
Less:				
Non-assessable income	**-**	-	**-**	-
Adjustments for current tax of prior periods	**534**	-	**-**	-
Tax losses utilized which were not previously brought to account as a deferred tax asset	**-**	(516,261)	**-**	(6,816)
Previously unrecognised tax losses used to reduce current tax expense	**(458,399)**	-	**(64,651)**	-
Tax at the effective rate of 0% (Parent 0%)(2007: 0%, Parent 0%)	**-**	-	**-**	-
Income tax expense reported in income statement	**-**	-	**-**	-

Note 4 – Income Tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	CONSOLIDATED					
	Assets		Liabilities		Net	
	2010 $	2009 $	**2010 $**	2009 $	**2010 $**	2009 $
Exploration and evaluation assets	**-**	-	**-**	**-**	**-**	**-**
Accruals	**(7,682)**	(6,308)	**-**	**-**	**(7,682)**	**(6,308)**
Superannuation payable	**(884)**	-	**-**	**-**	**(884)**	**-**
Employee entitlements	**(8,472)**	(17,465)	**-**	**-**	**(8,472)**	**(17,465)**
Unearned income	**-**	-	**-**	**-**	**-**	**-**
Capital raising	**(103,246)**	(45,847)	**-**	**-**	**(103,246)**	**(45,847)**
Software	**(312)**	-	**-**	**-**	**(312)**	**-**
Exploration costs	**-**	-	**960,005**	**543,233**	**960,005**	**543,233**
Tax losses	**(839,409)**	(473,613)	**-**	**-**	**(839,409)**	**(473,613)**
Tax (assets) liabilities	**(960,005)**	(543,233)	**960,005**	**543,233**	**-**	**-**
Set off of tax	**960,005**	543,233	**(960,005)**	**(543,233)**	**-**	**-**
Net tax (assets) liabilities	**-**	-	**-**	**-**	**-**	**-**

Movements in temporary differences during the year

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

Movements in temporary differences during the year

	Balance 1 July 2008	Recognised in Income	Recognised in Equity	Balance 30 June 2009
Exploration and evaluation assets	-	543,233	-	543,233
Accruals	-	(6,308)	-	(6,308)
Employee entitlements	-	(17,465)	-	(17,465)
Unearned income	-	-	-	-
Capital raising	-	-	(45,847)	(45,847)
Tax losses	-	(473,613)	-	(473,613)
	-	45,847	(45,847)	-

Note 4 – Income Tax (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	PARENT					
	Assets		Liabilities		Net	
	2010 $	2009 $	**2010 $**	2009 $	**2010 $**	2009 $
Accruals	**(7,682)**	(6,308)	-	-	**(7,682)**	(6,308)
Superannuation payable	**(884)**	-	-	-	**(884)**	-
Employee entitlements	**(8,472)**	(17,465)	-	-	**(8,472)**	(17,465)
Capital raising	**(15,390)**	(44,369)	-	-	**(15,390)**	(44,369)
Software	**(312)**	-			**(312)**	-
Prov. Non-recovery	-	-	-	-	-	-
Exploration costs	-	-	-	-	-	-
Tax losses	-	-	-	-	-	-
Tax (assets) liabilities	**(32,740)**	(68,141)	-	-	**(32,740)**	(68,141)
Set off of tax	**32,740**	68,141	-	-	**32,740**	68,141
Net tax (assets) liabilities	-	-	-	-	-	-

Movements in temporary differences during the year

	Balance 1 July 2009	Recognised in Income	Recognised in Equity	Balance 30 June 2010
Exploration and evaluation assets	-	-	-	-
Accruals	**(6,308)**	**(1,374)**	-	**(7,682)**
Superannuation payable	-	**(884)**	-	**(884)**
Employee entitlements	**(17,465)**	**8,993**	-	**(8,472)**
Capital Raising	**(44,369)**	-	**(28,979)**	**(15,390)**
Software	-	**(312)**	-	**(312)**
Tax losses	-	-	-	-
	(68,142)	**6,423**	**(28,979)**	**(32,740)**

Movements in temporary differences during the year

	Balance 1 July 2008	Recognised in Income	Recognised in Equity	Balance 30 June 2009
Exploration and evaluation assets	-	-	-	-
Accruals	-	(6,308)	-	(6,308)
Superannuation payable	-	-	-	-
Employee entitlements	-	(17,465)	-	(17,465)
Capital Raising	-	-	(44,369)	(44,369)
Software	-	-	-	-
Tax losses	-	-	-	-
	-	(23,773)	(44,369)	(68,142)

Unrecognised deferred tax assets

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

	CONSOLIDATED		PARENT	
	2010 $	2009 $	**2010 $**	2009 $
Tax losses	**934,047**	376,422	**294,686**	180,346
Capitalised feasibility project pool	**263,692**	257,641	**-**	-
	1,197,739	634,063	**294,686**	180,346

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

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

Tax Consolidation

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

Note 5 - Cash and Cash Equivalents

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Reconciliation to Balance Sheets				
Term deposit	**500,000**	4,350,000	**500,000**	4,350,000
Cash at bank	**364,462**	396,182	**363,617**	395,376
Cash on hand	**200**	200	**200**	200
Total cash and cash equivalents	**864,662**	4,746,382	**863,817**	4,745,576
Reconciliation to Cash Flow Statements				
Term deposit	**500,000**	4,350,000	**500,000**	4,350,000
Cash at bank	**363,462**	396,182	**363,617**	395,376
Cash on hand	**200**	200	**200**	200
Cash at bank attributable to discontinued operations	**-**	7,000	-	-
Total cash and cash equivalents	**864,662**	4,753,382	**863,817**	4,745,576

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

Note 6 - Deposits

An amount of $25,000 (2009 $25,000) is held as a deposit as collateral for the provision of credit card facilities used by employees of the consolidated entity in the course of their employment. This amount is not included in note 5, Cash and cash equivalents.

Note 7 - Inventories

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Inventories	**1,142,720**	-	**-**	-

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

Note 8 - Receivables

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Loans to controlled entities	-	-	**9,187,677**	5,179,793

Note 9 - Other Financial Assets

Shares in controlled entities – unlisted at cost	**-**	-	**400**	400

Note 10 - Property, Plant and Equipment

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Freehold land at cost	**1,547,572**	1,547,572	**-**	-
Fencing and fire mitigation at cost	**126,609**	142,145	**-**	-
Storage container	**2,125**	-	**-**	-
Furniture and fittings at cost	**14,952**	32,044	**14,952**	32,044
Total	**1,691,258**	1,721,761	**14,952**	32,044

(a) Reconciliations

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

Freehold land				
Carrying amount at beginning of year	**1,547,572**	1,569,563	**-**	-
Additions	**-**	-	**-**	-
Transfer of fencing costs to fencing and fire mitigation	**-**	(11,951)	**-**	-
Disposals	**-**	(10,040)	**-**	-
Carrying amount at end of year	**1,547,572**	1,547,572	**-**	-
Fencing and fire mitigation				
Carrying amount at beginning of year	**142,145**	31,105	**-**	-
Additions	**-**	110,729	**-**	-
Transfer of fencing costs from freehold land	**-**	11,951	**-**	-
Depreciation expense	**(15,536)**	(11,640)	**-**	-
Carrying amount at end of year	**126,609**	142,145	**-**	-
Storage container				
Carrying amount at beginning of year	**-**	-	**-**	-
Transfer from assets held for sale	**2,364**	-	**-**	-
Additions	**-**	-	**-**	-
Disposals	**-**	-	**-**	-
Depreciation expense	**(239)**	-	**-**	-
Carrying amount at end of year	**2,125**	-	**-**	-
Furniture and fittings				
Carrying amount at beginning of year	**32,044**	31,056	**32,044**	31,056
Additions	**5,538**	12,857	**5,538**	12,857
Disposals	**-**	(1,351)	**-**	(1,351)
Depreciation expense	**(22,630)**	(10,518)	**(22,630)**	(10,518)

Carrying amount at end of year	**14,952**	32,044	**14,952**	32,044

Note 11 - Exploration and Evaluation Assets

	Consolidated		**Parent**	
	2010	2009	**2010**	2009
	$	$	$	$
Exploration and evaluation expenditure at cost	**3,200,015**	**-**	**-**	**-**
Total	**3,200,015**			

11(a) Interest in a Joint Venture

The group has entered into a binding Joint Venture Agreement, with Cougar Energy Limited (CXY) to establish an unincorporated joint venture to conduct exploration, test work and studies to access the suitability of some of the Group's Sargon mining tenements for underground coal gasification studies; with each party having equal interests. The establishment of a formal joint venture is subject to the completion of formal due diligence including further drilling of the Group's mining tenements with each joint venturer contributing equally to expenditure.

Pursuant to these arrangements CXY may earn the right to own a 50% interest in the nominated tenement, which is the subject of the agreement.

11(b) Reconciliations

	2010	2009	**2010**	**2009**
	$	$	$	$
Exploration and evaluation expenditure				
Carrying amount at beginning of year	**-**	1,108,203	**-**	-
Additions	**1,389,237**	823,037	**-**	-
Impairment	**-**	(120,462)	**-**	-
Amortisation	**-**	-	**-**	-
Transfer to assets held for sale	**-**	(1,810,778)	**-**	-
Transfer from assets held for sale	**1,810,778**	-		
Carrying amount at end of year	**3,200,015**	-	**-**	-

The Heads of Agreement (HoA) between the Company and Carbon Energy Limited ceased on 9 December 2009 and expired on the 18 December 2009, and accordingly the assets and liabilities previously classified as held for sale at 30 June 2009 have been reclassified based on continuing operations.

Note 12 - Unearned Revenue

	Consolidated		**Parent**	
	2010	2009	**2010**	2009
	$	$	$	$
Lease income	**517**	517	**-**	-

Note 13 - Provisions

Provision for employee entitlements	**28,241**	58,216	**28,241**	58,216
Provision for payroll tax	**14,496**	-	**14,496**	-
Total provisions	**42,737**	58,216	**42,737**	58,216

(a) Reconciliations

Provision for employee entitlements				
Carrying amount at beginning of year	**58,216**	44,184	**58,216**	44,184
Additions	**52,914**	45,825	**52,914**	45,825
Reductions	**(82,889)**	(31,793)	**(82,889)**	(31,793)

Carrying amount at end of year	**28,241**	58,216	**28,241**	58,216

Provision for payroll tax				
Carrying amount at beginning of year	**-**	-	**-**	-
Additions	**14,496**	-	**14,496**	-
Reductions	**-**	-	**-**	-
Carrying amount at end of year	**14,496**	-	**14,496**	-

Note 14 - Contributed Equity

	Parent		**Parent**	
	2010	**2010**	2009	2009
	No.	**$**	No.	$
(i) Issued capital				
Ordinary shares each fully paid				
Balance at beginning of year	**74,690,213**	**10,255,109**	74,576,007	10,221,327
Shares issued during the year				
- Share issue	**3,632,800**	**197,587**	114,206	33,782
- transaction costs of equity raising	**-**	**(1,500)**	-	-
Balance at end of year	**78,323,013**	**10,451,196**	74,690,213	10,255,109

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

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

Note 14 - Contributed Equity (Continued)

	Strike price $	**2010 No.**	2009 No.
(ii) Share options			
Options on issue at start of year	0.30	**24,861,218**	50,087,996
Options issued during the year			
Date of issue			
01 July 2008	0.00001	**-**	7,500,000
27 October 2008	0.15	**-**	14,914,422
30 June 2009	0.20	**-**	1,000,000
8 September 2009	0.20	**15,100,249**	-
21 December 2009	0.25	**50,000**	-
23 August 2010	0.15	**2,687,013**	-
23 August 2010	0.15	**500,000**	-
Options expired during the year			
Date of expiry			
30 June 2009	0.30	**-**	(48,526,994)
30 June 2010	0.15	**(14,031,752)**	-
30 June 2010	0.00001	**(5,000,000)**	-
30 April 2010	0.25	**(50,000)**	-
Options exercised during the year			
Date of exercise			
19 November 2008	0.15	**-**	(3,200)
9 June 2009	0.15	**-**	(4)
9 June 2009	0.30	**-**	(4,002)
16 June 2009	0.30	**-**	(4,000)
17 June 2009	0.30	**-**	(8,000)
18 June 2009	0.30	**-**	(38,000)
23 June 2009	0.30	**-**	(20,000)
25 June 2009	0.30	**-**	(4,000)
26 June 2009	0.30	**-**	(13,000)
29 June 2009	0.30	**-**	(10,000)
30 June 2009	0.30	**-**	(10,000)
5 August 2009	0.15	**(80,114)**	-
25 August 2009	0.15	**(53,333)**	-
29 September 2009	0.15	**(4,600)**	-
29 September 2009	0.25	**(250,000)**	-
12 November 2009	0.15	**(74,000)**	-
12 November 2009	0.20	**(3,334)**	-
12 November 2009	0.00001	**(2,500,000)**	-
28 January 2010	0.15	**(100,000)**	-
15 March 2010	0.15	**(20,000)**	-
30 April 2010	0.15	**(10,004)**	-
11 May 2010	0.15	**(169,567)**	-
15 June 2010	0.15	**(109,857)**	-
22 June 2010	0.15	**(39,580)**	-
25 June 2010	0.15	**(51,400)**	-
30 June 2010	0.15	**(167,011)**	-
Options on issue at end of year		**20,483,928**	24,861,218

Note 15 - Option Reserve

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	$	$
Balance at start of year	**629,029**	145,400	**629,029**	145,400
Additions	**414,502**	507,144	**414,502**	507,144
Cost of issue of options	**(18,691)**	(23,515)	**(18,691)**	(23,515)
Balance at end of year	**1,024,840**	629,029	**1,024,840**	629,029

Note 16 - Accumulated Losses

Balance at start of year	**(2,681,615)**	(3,229,951)	**(1,000,275)**	(653,222)
Profit (loss) from operations	**(1,801,376)**	548,336	**(470,442)**	(347,053)
Balance at end of year	**(4,482,991)**	(2,681,615)	**(1,470,717)**	(1,000,275)

Note 17 - Share Based Payments

At balance date, the Company had on issue 1,200,000 non-transferable options issued in connection with share based payments (2009 8,950,000).

	2010	**2010 WAEP**	2009	2009 WAEP
	No	**$**	No	**$**
Outstanding at the beginning of the year	**8,950,000**	**0.04**	9,300,000	0.29
Granted during the year	**50,000**	**0.25**	7,500,000	0.00001
Forfeited during the year	**-**	**-**	-	-
Exercised during the year	**(2,750,000)**	**0.02**	-	-
Expired during the year	**(5,050,000)**	**0.05**	(7,850,000)	0.30
Outstanding at the end of the year	**1,200,000**	**0.25**	8,950,000	0.04

(WAEP: Weighted Average Exercise Price)

During the year, 50,000 options were issued to employees, these options did not vest and expired on the 30 April 2010; 5,000,000 Executive Options lapsed on 30 June 2010; 2,500,000 Executive Options were exercised

In the year ended 30 June 2008, 1,450,000 options were issued to employees. These options have vested in March 2009, have a strike price of 25 cents, and expire on 7 March 2011; 250,000 of these options were exercised in the year ended 30 June 2010.

Note 18 - Financial Risk Management

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

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

(a) Market risk

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

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

Note 18 – Financial risk management (Continued)

iii) Cash flow and fair value interest rate risk

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

The Group has a fixed interest term deposit facility with a secure banking institution to maximize its interest income from surplus cash. The Group holds working capital in transaction accounts at variable interest rates. If the interest rates had increased or decreased by 100 basis points (100 bps) from the year-end rates with all other variables held constant, post-tax profit for the year would have been $6,000 higher or lower (2009: $41,000 higher or lower); these changes to profit would have been reflected in the Statement of Comprehensive Income.

iv) Summarised sensitivity analysis

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

2010		**Interest rate risk**			
		-100 bps		+100 bps	
	Carrying amount	Profit	Equity	Profit	Equity
	($'000)	($'000)	($'000)	($'000)	($'000)
Financial assets					
Cash and cash equivalents	**864**	**(6)**	**(6)**	**6**	**6**
Total increase / (decrease)		**(6)**	**(6)**	**6**	**6**

2009		**Interest rate risk**			
		-100 bps		+100 bps	
	Carrying amount	Profit	Equity	Profit	Equity
	($'000)	($'000)	($'000)	($'000)	($'000)
Financial assets					
Cash and cash equivalents	4,778	(41)	(41)	41	41
Total increase / (decrease)		(41)	(41)	41	41

(b) Credit risk

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

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Group and the Company monitor liquidity risk by continuously monitoring forecast and actual cash flows to ensure there are appropriate plans in place to finance future cash flows.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The carrying value less impairment provision of trade receivables and payables is a reasonable approximation of their fair values due to the short-term nature of trade receivables. There were no impaired trade receivables for the Group or parent in 2010 or 2009. The fair value of financial liabilities for disclosure purposes is not discounted.

Note 19 - Financial Instruments

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

	Floating interest rates		Non-interest bearing		Total		Weighted average effective interest rate	
	2010 $	2009 $	**2010** $	2009 $	**2010** $	2009 $	**2010** %	2009 %
Financial assets								
Cash	**889,262**	4,752,982	**400**	400	**889,662**	4,753,382	**4.43**	3.86
Receivables	**-**	-	**15,131**	21,146	**15,131**	21,146	**-**	-
Payables	**-**	-	**(74,110)**	(77,321)	**(78,110)**	(77,321)	**-**	-
Total	**889,262**	4,752,982	**(58,579)**	(55,775)	**826,683**	4,697,207		

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

Financial assets								
Cash	**889,262**	4,752,982	**400**	400	**889,662**	4,753,382	**4.43**	3.86
Receivables	**-**	-	**15,131**	21,146	**15,131**	21,146	**-**	-
Payables	**-**	-	**(69,126)**	(77,321)	**(69,126)**	(77,321)	**-**	-
Total	**889,262**	4,752,982	**(53,595)**	(55,775)	**835,667**	4,697,207		

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

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

Note 20 - Commitments

	Consolidated		Parent	
	2010 **$**	2009 $	**2010** **$**	2009 $
(a) Operating lease commitments				
Expenditure contracted for but not provided at balance date and payable:				
Not later than one year	**141,785**	141,385	**141,785**	141,385
Later than one year but not later than five years	**153,601**	295,386	**153,601**	295,386
Later than five years	**-**	-	**-**	-
Total operating lease commitments	**295,386**	436,771	**295,386**	436,771
(b) Interests in jointly controlled operations				
Commitments relating to Joint Venture Operations – Not later than one year				
Share of due diligence phase expenses	**1,000,000**	-	**1,000,000**	-
Total interests in jointly controlled operations commitments	**1,000,000**	-	**1,000,000**	-

(c) Exploration commitments

The required minimum expenditure within 12 months for the Eneabba Group's mineral tenements is $508,000, which amount is expected to be expended through proposed drilling programmes and also work already carried out by or on behalf of the Group.

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

Note 21 – Auditors' Remuneration

	Consolidated		**Parent**	
	2010 **$**	2009 $	**2010** **$**	2009 $
During the year the auditor of the parent entity and its related practices earned the following remuneration.				
Audit or review of Group entities – PKF	**15,001**	43,474	**15,001**	43,474
Audit or review of Group entities – Deloitte	**30,000**	-	**30,000**	-
Taxation services	**-**	12,415	**-**	12,415
Tax advice	**-**	6,880	**-**	6,880
Total	**45,001**	62,769	**45,001**	62,769

Note 22 - Related Party Transactions

Controlled Entities

Investments in controlled entities comprise:

Name	**Principal activities**	**Beneficial percentage held by economic entity**	
		2010 **%**	2009 %
Eneabba Gas Limited	Parent entity		
Wholly owned controlled entities:			
Eneabba Energy Pty Ltd	Power generation	**100**	100
Eneabba Mining Pty Ltd	Mineral exploration	**100**	100
Eneabba Holdings Pty Ltd	Investments & asset management	**100**	100
Eneabba Power Pty Ltd	Operations & infrastructure	**100**	100

All controlled entities are incorporated in Australia. Eneabba Gas Limited is the head entity of the tax consolidated group, which includes all of the controlled entities.

Loans to controlled entities

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

	2010 **$**	**2009** **$**
Eneabba Energy Pty Ltd	4,268,892	2,393,316
Eneabba Mining Pty Ltd	4,641,064	2,549,900
Eneabba Holdings Pty Ltd	243,881	211,437
Eneabba Power Pty Ltd	33,840	25,140

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

Accounting and secretarial services

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

Key management personnel compensation

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

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
Short-term employee benefits	732,262	531,367
Post-employment benefits	68,948	44,226
Share-based payment	253,500	253,500
Total	**1,054,710**	**829,093**

The compensation of each member of the key management personnel of the Group is set out on the remuneration report on page 17.

Other officers

The Company has paid fees of $44,662 to SLR Consulting Pty Ltd, a company in which the Company Secretary S L Robertson has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

The Company has paid fees of $10,619 to Corporate Consultants Pty Ltd, a company in which the former Company Secretary S M Shah has a substantial financial interest. The fees were for accounting and secretarial services based on an hourly rate commensurate with the service provided.

Other information

Shareholdings

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

	Balance at 1 July 2009	Received as Remuneration	Options Exercised	Other Movements	Balance at 30 June 2010
Parent entity directors					
M H Babidge[1]	5,000,001	-	2,500,000	(330,000)	7,170,001
C E Bennett	200,000	-	40,000	-	240,000
R N Gillard	2,600,000	-	-	-	2,600,000
K S Kuang[3]	9,971,910	-	-	-	9,971,910
P R Oates	125,000	-	-	50,000	175,000[2]

1 M H Babidge sold via off-market transactions, three hundred and thirty thousand (330,000) shares during the period.
2 P R Oates retired as director on 24 March 2010. The balance shown is at that date.
3 K S Kuang was appointed as a director on 18 September 2009. The opening balance is as at that date.

	Balance at 1 July 2008	Received as Remuneration	Options Exercised	Other Movements	Balance at 30 June 2009
Parent entity directors					
M H Babidge	5,000,001	-	-	-	5,000,001
C E Bennett	200,000	-	-	-	200,000
R N Gillard	2,600,000	-	-	-	2,600,000
P R Oates	50,000	-	-	75,000	125,000

Option holdings

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

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

1 P R Oates retired as director on 24 March 2010. The balance shown is at that date.
2 K S Kuang was appointed as a director on 18 September 2009. The opening balance is as at that date.

Option holdings (cont)

	Balance at 1 July 2008	Received as Remuneration	Options Exercised	Other Movements	Balance at 30 June 2009	Vested and exercisable at year end
Parent entity directors						
M H Babidge	3,750,000	7,500,000	-	(2,749,999)	8,500,001	1,000,001
C E Bennett	3,100,000	-	-	(3,060,000)	-	40,000
R N Gillard	5,300,000	-	-	(4,780,000)	-	520,000
P R Oates	500,000	-	-	(490,000)	-	10,000

Note 23 - Earnings per Share

	Consolidated	
	2010 Cents	2009 Cents
Basic earnings (loss) per share	**(2.35)**	0.74
Diluted earnings (loss) per share	**(2.35)**	0.61
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**76,711,481**	74,578,837
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**76,711,481**	89,490,055

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

Note 24 - Subsequent Events

Subsequent to balance date the Company completed a non-renounceable entitlement offer as a consequence of which 8,061,042 ordinary shares were issued at an issue price of $0.095 together with 2,687,013 listed options and 500,000 unlisted options exercisable on or before 30 June 2013 at a strike price of $0.15. Net proceeds of the issue were $774,039.

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

	Consolidated		Parent	
	2010	2009	**2010**	2009
	$	$	**$**	$

Note 25 - Reconciliation of Profit (loss) from Operations to Net Cash Flows used in Operations

	Consolidated 2010 $	Consolidated 2009 $	Parent 2010 $	Parent 2009 $
Profit (loss) from operations	**(1,801,376)**	548,336	**(470,441)**	(347,053)
Adjustments for:				
Sale of gas	**-**	(3,710,000)	**-**	-
Depreciation	**38,402**	16,342	**22,630**	10,518
Inter-company charges	**-**	-	**(1,243,141)**	(1,011,151)
Net loss on disposal of property, plant and equipment	**-**	11,391	**-**	1,351
Share option expense	**253,500**	358,000	**253,500**	358,000
Feasibility study asset costs expensed	**20,470**	89,528	**-**	-
Exploration assets expensed	**-**	120,462	**-**	-
Changes in assets and liabilities:				
(Increase) / Decrease in inventories	**(1,142,720)**	1,464,036	**-**	-
(Increase) / Decrease in trade and other receivables	**6,978**	(11,019)	**7,307**	(11,019)
(Increase) / Decrease in prepayments	**(28,288)**	(11,397)	**(3,288)**	(11,397)
Increase / (Decrease) in trade and other payables	**4,891**	(17,925)	**(963)**	32,982
Increase / (Decrease) in provision for employee benefits	**(29,975)**	14,032	**(29,975)**	14,032
Increase / (Decrease) in provision for payroll tax	**14,496**	-	**14,496**	
Net cash flows used in operations	**(2,663,622)**	(1,128,214)	**(1,449,875)**	(963,737)

Note 26 – Contingent Liabilities

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

Directors' Declaration

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

In the opinion of the directors:

(a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

(iii) the financial report also complies with International Financial Reporting Standards as disclosed in note 1; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

On behalf of the Board

R N Gillard
Chairman
14 September 2010

M H Babidge
Managing Director
14 September 2010

Deloitte.

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

Report on the Financial Report

We have audited the accompanying financial report of Eneabba Gas Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 23 to 49.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

(a) the financial report of Eneabba Gas Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1a.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the directors' report for the year ended 30 June 2010. 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 2010, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 14 September 2010