

ENEABBA GAS LIMITED

A.B.N. 69 107 385 884

APPENDIX 4D

AND

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2010

Appendix 4D

Eneabba Gas Limited and Controlled Entities

ABN 69 107 385 884

Half Year ended 31 December 2010 - Additional Disclosures

1. Reporting periods

Half year ended (‘Current period’)	Half year ended (‘Previous corresponding period’)
31 December 2010	31 December 2009

2. Results for announcement to the market

			\$A'000
Revenues from ordinary activities	Down	56%	30
Loss from ordinary activities after tax attributable to members	Down	16%	(708)
Loss for the period attributable to members	Down	16%	(708)

Brief explanation of above figures – During the period, there has been no sale of gas. The Company expects to sell current gas inventories sometime before the end of February 2011.

Dividends - There were no dividends declared or paid during the period and the directors do not recommend that any dividend be paid.

3. Net tangible asset backing

	Current period	Previous corresponding period
Net tangible asset backing / (deficiency) per ordinary security	4.0 cents / share	6.0 cents / share

4. Controlled Entities

There were no controlled entities gained or lost during the period.

5. Dividends or Distributions

Nil.

6. Dividend or Distribution Reinvestment Plans

N/A.

7. Material interests in entities which are not controlled entities

N/A.

8. Foreign Entities

N/A.

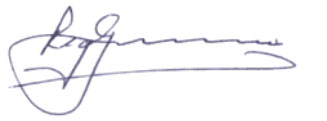
9. Independent Review Report

Refer to the Independent Review Report on page 15 and page 16 of the attached Financial Report for the half year ended 31 December 2010.

10. Compliance statement

This report should be read in conjunction with the attached Half Year Financial Report for the half year ended 31 December 2010.

Sign here:



Date : 25 February 2011

Print name: R N Gillard



Eneabba Gas Limited
ABN 69 107 385 884

Half-Year Financial Report
31 December 2010

ENEABBA GAS LIMITED – HALF-YEAR REPORT

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ENEABBA GAS LIMITED – HALF-YEAR REPORT

DIRECTORS' REPORT

The Directors present their report on the Company for the half-year ended 31 December 2010.

Directors

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

R N Gillard, Chairman
M H Babidge, Managing Director
C E Bennett, Non-executive Director
K S Kuang, Non-executive Director

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

Principal activities

The principal activity of the Company during the half-year was the continuing planning for the proposed construction of the 168 MW Centauri 1 power station near Dongara, Western Australia.

Review and results of operations

The loss from operations of the Company for the half-year was \$708,239 (2009: loss: \$842,167).

Eneabba Gas has focused on the development of the 168MW gas-fired Centauri 1 power station on Company-owned land near Dongara in the Mid West of Western Australia. Eneabba Gas proposes to market power from Centauri 1 to the fast growing Mid West region of Western Australia.

The Company has undertaken detailed discussions with iron ore mining interests in the Mid West and has been requested to review the total energy output by Centauri 1 from 168 MW up to 275 MW in the medium term and a possibility of 390 MW in the longer term, in staging development of the power station capacity. In addition, the environmental impact of lower carbon emissions and the future lower energy cost associated with the introduction of UCG capabilities within a possible three year time frame, is seen to be major advantage over other energy generation capabilities.

In regards to its Sargon Tenements, the Company can confirm it has undertaken the drilling on the eastern Sargon Tenements which were shown to be potential UCG capability. As a result of these activities Eneabba has met its minimum expenditure requirements as required by Department of Mines and Petroleum.

The Company has advised the market that it has been approached by potential cornerstone investors that have shown interest in Centauri 1 and extensions of Underground Coal Gasification ("UCG") power projects in the Sargon tenements. Discussions regarding the commercial arrangements have begun, but slowed by the holiday period, they are at this stage commercially confidential.

Eneabba believes these parties have been attracted to the Centauri 1 Power Station project due to the recent developments in the Mid West and a relatively short time-frame required for start-up, approximately 18 months from commencement of construction, and the fact that all contractual, environmental and regulatory approvals are in place.

Following a decision published by the Economic Regulation Authority ("ERA") and under the licence amendments under section 22 of the Electricity Industry Act 2004, the ERA has re-issued the licence for the Centauri 1 Power Station, with an expiry date 11 March 2037.

The Company has advised that the agreement with Cougar Energy Limited (ASX: CXY) (refer ASX Announcement dated 8 June 2010), regarding the development of the Sargon Tenements as a result of the delays mainly caused by CXY and its ongoing funding and project related environmental issues not yet resolved since early July 2010 and is at an end as a result of a repudiation by CXY of its contractual obligations. The Company will be committed to UCG in the Sargon tenements, but as above, a review of the tenements and a proposed plan will be activated by 31 March 2011 to engage this asset of the Company.

During the quarter the Company raised \$745,048 (net of option issue costs) a pro-rata entitlements issued to Shareholders.

As at January 2011 the Company has undertaken a full cost reduction programme and with the possible exception of the exploration programme unlikely to be activated until the third quarter of 2011, adequate current working capital is contemplated, particularly with actions to convert sale gas inventory to cash.

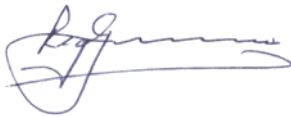
ENEABBA GAS LIMITED – HALF-YEAR REPORT

DIRECTORS' REPORT

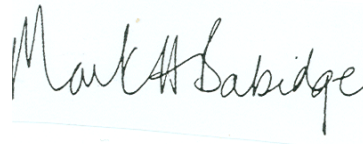
The Company has undertaken a “swap” arrangement for the sale of gas with Verve Energy and along with the Company activity as a Foundation Membership of the trading platform of Energy Access Services (“EAS”), the gas inventory will be sold within EAS or as an ‘orderly marketing term sheet’ with purchasers (current book value \$1.15 million) in the current summer period of high demand. The funds will support the working capital requirements for the Company.

The Corporations Act requires our auditors, Deloitte Touche Tohmatsu, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on the next page and forms part of this directors’ report for the half-year ended 31 December 2010.

Signed in accordance with a resolution of the directors.



R N Gillard
Chairman
25 February 2011



M H Babidge
Director
25 February 2011

The Board of Directors
Eneabba Gas Limited
PO Box 772
WEST PERTH WA 6872

25 February 2010

Dear Board Members

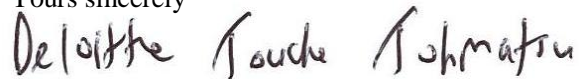
Eneabba Gas Limited

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 review of the financial statements of Eneabba Gas Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Condensed Consolidated Statement of Comprehensive Income for the half-year ended 31 December 2010

	Consolidated	
	31 Dec 2010	31 Dec 2009
Notes	\$	\$
Revenue		
Finance revenue	20,041	57,830
Sale of gas	-	-
Lease revenue	3,100	3,100
Other income	6,390	6,286
Total revenue	29,531	67,216
Expenses		
Feasibility study costs	(27,608)	(31,436)
Employee benefits	(397,497)	(599,668)
Amortisation and depreciation	(10,866)	(13,343)
Other expenses	(302,343)	(264,936)
Total expenses	(738,314)	(909,383)
Loss before income tax	(708,783)	(842,167)
Income tax	544	-
Loss for the year	(708,239)	(842,167)
Other comprehensive income for the half year net of tax	-	-
Total comprehensive income for the half year	(708,239)	(842,167)
Profit attributable to members of Eneabba Gas Limited	(708,239)	(842,167)
Total comprehensive income attributable to members of Eneabba Gas Limited	(708,239)	(842,167)
Basic earnings (loss) per share - cents	(0.82)	(1.11)
Diluted earnings (loss) per share - cents	(0.82)	(1.11)

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

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Condensed Consolidated Statement of Financial Position as at 31 December 2010

		Consolidated	
		31 Dec	30 June
		2010	2010
Notes		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents		497,906	864,662
Inventories	3	1,154,679	1,142,719
Receivables		41	15,131
Prepayments		26,133	46,624
Assets held for sale		-	-
Total current assets		1,678,759	2,069,136
Non-current assets			
Deposits		25,000	25,000
Property, plant and equipment		1,700,633	1,691,258
Exploration and evaluation assets		3,600,553	3,200,015
Prepayments		150,000	125,000
Total non-current assets		5,476,186	5,041,273
Total assets		7,154,945	7,110,409
LIABILITIES			
Current liabilities			
Payables		16,284	74,110
Unearned revenue		517	517
Provisions		108,390	42,737
Total current liabilities		125,191	117,364
Total liabilities		125,191	117,364
Net assets		7,029,754	6,993,045
EQUITY			
Contributed equity	4	10,451,096	10,451,196
Option reserve		1,769,888	1,024,840
Accumulated losses		(5,191,230)	(4,482,991)
Total equity		7,029,754	6,993,045

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

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Condensed Consolidated Statement of Cash Flows for the half-year ended 31 December 2010

	Consolidated	
	31 Dec 2010	31 Dec 2009
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers inclusive of GST	-	-
Payments to suppliers and employees inclusive of GST	(727,679)	(1,978,414)
Interest received	20,041	57,830
Lease income - pastoral	3,100	3,100
Other income	6,390	6,182
Net cash flows (used in)/from operating activities	(698,148)	(1,911,302)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,260)	(4,071)
Payments for exploration and evaluation activities	(412,395)	(1,510,213)
Net cash flows from / (used in) investing activities	(413,655)	(1,514,284)
Cash flows from financing activities		
Proceeds from issue of options		97,474
Option issue costs		(1,600)
Proceeds from issue of options	765,799	161,002
Option issue costs	(20,752)	(18,591)
Net cash flows (used in)/from financing activities	745,047	238,286
Net (decrease) in cash and cash equivalents for the period	(366,756)	(3,187,300)
Cash and cash equivalents at the beginning of the period	864,662	4,753,382
Cash and cash equivalents at the end of the period	497,906	1,566,081

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

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Condensed Consolidated Statement of Changes in Equity for the half-year ended 31 December 2010

	Notes	Contributed Equity \$	Reserves \$	Accumulated losses \$	Total equity \$
Equity at 1 July 2009	4	10,255,109	629,029	(2,681,615)	8,202,523
Total comprehensive loss for the period net of tax		-	-	(842,167)	(842,167)
Option reserve		-	126,750	-	126,750
Gross proceeds from exercise of options		97,474	-	-	97,474
Less costs of option exercise		(1,600)	-	-	(1,600)
Gross proceeds from issue of options		-	161,002	-	161,002
Less costs of option issue		-	(18,591)	-	(18,591)
Equity at 31 December 2009	4	10,350,983	898,190	(3,523,782)	7,725,391
Total comprehensive loss for the period net of tax		-	-	(959,209)	(959,209)
Option reserve *		-	126,750	-	126,750
Gross proceeds from exercise of options		100,213	-	-	100,213
Less costs of option issue ***		-	(100)	-	(100)
Equity at 1 July 2010	4	10,451,196	1,024,840	(4,482,991)	6,993,045
Total comprehensive loss for the period net of tax		-	-	(708,239)	(708,239)
Option reserve *		-	-	-	-
Gross proceeds from exercise of options		-	-	-	-
Less costs of option exercise		-	-	-	-
Gross proceeds from issue of options		-	765,800	-	765,800
Less costs of option issue		(100)	(20,752)	-	(20,852)
Equity at 31 December 2010	4	10,451,096	1,769,888	(5,191,230)	7,029,754

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

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Notes to the Financial Statements

For the half-year ended 31 December 2010.

Note 1 - Summary of Significant Accounting Policies

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

The half-year report has been prepared on a historical cost basis. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2010 and any public announcements made by Eneabba Gas Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2010 annual financial report for the financial year ended 30 June 2009.

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010. It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and interpretations on its business other than the adoption of amendments to AASB 101. The changes relate solely to the presentation of the financial statements and do not affect the recognition or measurement of items in the financial report.

A range of amendments to standards and interpretations have been made which are available for early adoption for financial reporting periods beginning on or after 1 January 2011. The Group have decided not to early adopt these amendments and they are not expected to have a significant impact on the financial report of Eneabba Gas Limited.

The consolidated entity incurred losses of \$708,239 (2009: \$842,167), net operating cash outflows of \$698,148 (2009: \$1,911,302) and total net cash out flows of \$366,756 (2009: \$3,187,300) for the half year ended 31 December 2010 and as at that date had a working capital surplus of \$1,553,568 (2009: \$1,951,772).

The consolidated entity's ability to continue as a going concern and pay its debts as and when they fall due is dependent on the following:

- Completion of the sale of gas inventory;
- Reduction in the minimum tenement exploration commitments by relinquishing tenements and retaining only key tenements; and
- Active management of the current level of discretionary expenditure in line with the funds available to the consolidated entity; and
- The ability if required to raise additional funding through capital raising.

Subsequent to the year half year ended 31 December 2010 the consolidated entity has entered into a number of gas sale term sheets to facilitate the sale of gas over the coming months.

Based on the current estimated gas sales, existing cash resources, the ability to reduce expenditure on exploration tenements and the ability of the consolidated to raise additional funding through capital raisings if required, the directors are satisfied that, the going concern basis of preparation is appropriate.

The half year 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.

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Note 2 - Segment Reporting

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

2010	Electricity Generation 2010 \$	Mineral Exploration 2010 \$	Unallocated 2010 \$	Consolidated 2010 \$
Segment revenue				
Finance revenue	-	-	20,041	20,041
Lease revenue	-	-	3,100	3,100
Other revenue	-	-	6,390	6,390
Total revenue	-	-	29,531	29,531
Segment expenses				
Net other costs	-	-	(699,840)	(699,840)
Planning costs	(27,608)	-	-	(27,608)
Loss before amortisation and depreciation	(27,608)	-	(670,309)	(697,917)
Amortisation and depreciation	(7,800)	(954)	(2,112)	(10,866)
Loss) before income tax benefits	(35,408)	(954)	(672,421)	(708,783)
Segment assets and Liabilities				
Other assets	2,874,064	3,752,773	528,108	7,154,945
Liabilities	(853)	(351)	(123,987)	(125,191)
Net assets	2,873,211	3,752,422	404,121	7,029,754
Segment cashflows				
Operating	(31,625)	-	(666,523)	(698,148)
Investing	-	(412,395)	(1,260)	(413,655)
Financing	-	-	745,047	745,047
Net cash movement	(31,625)	(412,395)	77,264	(366,756)

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Note 2 - Segment Reporting continued...

	Electricity Generation 2009	Mineral Exploration 2009	Unallocated 2009	Consolidated 2009
31 December 2009	\$	\$	\$	\$
Segment revenue				
Finance revenue	-	-	57,830	57,830
Sale of gas	-	-	-	-
Lease revenue	-	-	3,100	3,100
Other revenue	-	-	6,286	6,286
Total revenue	-	-	67,216	67,216
Segment expenses				
Cost of gas sold	-	-	-	-
Net other costs	-	-	(864,604)	(864,604)
Planning costs	(31,436)	-	-	(31,436)
Loss before amortisation and depreciation	(31,436)	-	(797,388)	(828,824)
Amortisation and depreciation	(7,768)	(118)	(5,457)	(13,343)
Loss before income tax benefits	(39,204)	(118)	(802,845)	(842,167)
30 June 2010				
Segment assets and Liabilities				
Gas Inventories	1,142,719	-	-	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	2,816,899	3,195,031	981,115	6,993,045
31 December 2009				
Segment cashflows				
Operating	(1,152,322)	-	(758,980)	(1,911,302)
Investing	-	(1,510,213)	(4,071)	(1,514,284)
Financing	-	-	238,286	238,286
Net cash movement	(1,152,322)	(1,510,213)	(524,765)	(3,187,300)

ENEABBA GAS LIMITED – HALF-YEAR REPORT

Note 3 - Inventories

Inventories comprise supplies of gas held in storage in the Company's rented storage at APA Mondarra storage site. Inventories are valued at the lower of cost and net realisable value. Costs include transport and storage.

Note 4 – Equity

(i) Contributed equity

Ordinary shares each fully paid

	Consolidated		Consolidated	
	31 December 2010 No.	31 December 2010 \$	30 June 2010 No.	30 June 2010 \$
Balance at beginning of half-year, 1 July	78,323,013	10,451,196	74,690,213	10,255,109
Shares issued from exercise of options	8,061,042	-	3,632,800	197,587
Less costs of option exercise	-	(100)	-	(1,500)
Balance at end of half-year, 31 December	86,384,055	10,451,096	78,323,013	10,451,196

Note 5 – Contingent Liabilities

Since the last annual reporting date, there has been no material change in any contingent liabilities reported in the June 2010 Annual Report.

Note 6 – Subsequent Events

On 21 January 2011 the Company advised that the agreement with Cougar Energy Limited (ASX: CXY) (refer ASX Announcement dated 8 June 2010), regarding the development of the Sargon Tenements was at an end as a result of a repudiation by CXY of its contractual obligations. A review of the tenements is proposed that a plan will be activated by 31 March 2011 to engage this asset of the Company.

The Company advised on 27 January 2011 that a number of gas sales term sheets has been lodged with interested parties and this will facilitate the ease of gas sales administration with having active arrangements in place for detailed delivery conditions agreed by the customers.

On 2 February 2011 Australian energy company Eneabba Gas Limited (**ASX: ENB**) "ENB" or "the Company") confirmed to the market that the development of its proposed gas-fired 168MW Centauri 1 Power Station project ("Centauri-1") near Dongara in Western Australia remains the sole focus of the company and continues to undertake activities designed to progress its development in a timely fashion.

ENB is in no hurry or requirement to develop the UCG arrangements, since the Centauri 1 168 MW power station has always been gas-fired for the initial turbines and it is only on expansion that UCG fuel potential is envisaged.

ENEABBA GAS LIMITED – HALF-YEAR REPORT

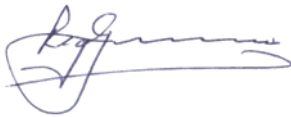
Directors' Declaration

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

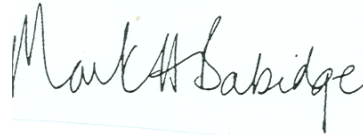
In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations ; 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.

On behalf of the Board



R N Gillard
Chairman
25 February 2011



M H Babidge
Director
25 February 2011

Independent Auditor's Review Report to the Directors of Eneabba Gas Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Eneabba Gas Limited, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 15 to 16.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Eneabba Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Eneabba Gas Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Chris Nicoloff

Chris Nicoloff
Partner
Chartered Accountants
Perth, 25 February 2011