*.Rules 4.3A*

# Appendix 4E

## Full Year Report

Name of entity

ENEABBA GAS LIMITED

| ABN or equivalent company reference | Financial year ended ('current period') |
|---|---|
| 69 107 385 884 | 30 June 2013 |

## Results for announcement to the market

**(All comparisons to year ended 30 June 2012)**

| | | | | A$ |
|---|---|---|---|---|
| Revenues from continuing operations | Decreased | 85% | to | 122,434 |
| Profit / (Loss) from ordinary activities after tax attributable to members* | Increased | 100% | to | 109 |
| Net profit / (loss) for the year attributable to members* | Increased | 100% | to | 109 |

| **Dividends (distributions)** | Amount per security | Franked amount per security |
|---|---|---|
| Final dividend<br>Interim dividend | None | - ¢ |
| Previous corresponding period | None | - ¢ |
| Record date for determining entitlements to the dividend | N/A | |

| | **30/06/13** | **30/06/12** |
|---|---|---|
| Net tangible asset backing per ordinary security (excludes exploration and evaluation expenditure) | 2.31 cents | 2.46 cents |

Explanations for the above results and commentary are contained in the director's report and the 30 June 2013 financial statements and accompanying notes.

This report is based on the consolidated financial statements which have been audited by HLB Mann Judd.

*As detailed in the 30 June 2013 financial statements and accompanying notes, the increase in the current year profit is mainly due to receipt of a research and development tax offset.

## Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on +accounts to which one of the following applies.
*(Tick one)*

| | | | |
|---|---|---|---|
| ☑ | The accounts have been audited. | ☐ | The accounts have been subject to review. |
| ☐ | The accounts are in the process of being audited or subject to review. | ☐ | The accounts have *not* yet been audited or reviewed. |

Sign here: (Company Secretary) Date: 27 August 2013

Print name: Brett Tucker

# ENEABBA GAS LIMITED

ABN 69 107 385 884

## ANNUAL REPORT
**for the year ended 30 June 2013**

# ENEABBA GAS LIMITED
# ABN: 69 107 385 884

## CONTENTS



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

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

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

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

# ENEABBA GAS LIMITED
# ABN: 69 107 385 884

## CORPORATE INFORMATION

**Directors:**
Morgan Barron
*Non-Executive Director*

Thomas Goh
*Non-Executive Director*

Greg Allen
*Non-Executive Director*

**Company Secretary:**
Brett Tucker

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

**Bankers:**
Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000

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

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

**Postal Address:**
P.O. Box 902
WEST PERTH WA 6872

**Home Securities Exchange:**
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
PERTH WA 6000

**ASX Code:**
ENB (Ordinary Shares)

**Share Registry:**
Security Transfers Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: +618 9315 2333

## DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Company and its subsidiaries it controlled during the period, for the year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:-

## DIRECTORS

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

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

### ***Morgan Barron, B.Com (UWA), C.A. S.A.Fin – Non-Executive Director***

***EXPERIENCE AND EXPERTISE***

Mr Barron is a Chartered Accountant and has over 13 years in corporate advisory. Mr Barron has advised and guided many companies undertaking fundraising activities in Australia and seeking to list on the ASX.
In addition, Mr Barron has been involved in many corporate reconstructions, mergers and acquisitions and has played a key role in the recapitalisation of a number of ASX companies.

Mr Barron is also a member of the Institute of Company Directors. Mr Barron is a Director and Shareholder of Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialises in the provision of corporate advice to junior resource companies.

***OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES***

Non-Executive Director – Integrated Resources Group Limited

***OTHER DIRECTORSHIPS HELD IN ASX LISTED COMPANIES IN THE LAST THREE YEARS***

Non-Executive Director – Epic Resources Limited (appointed 15 November 2010, resigned 5 September 2011)
Non-Executive Director – Orinoco Gold Limited (appointed 9 February 2011, resigned 1 November 2012)
Non-Executive Director – ZYL Limited (appointed 3 December 2009, resigned 13 December 2010)

### ***John I Arndell B.Com, CA. - Non-Executive Chairman (resigned 9 April 2013)***

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

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

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

***OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES***

Nil

***OTHER DIRECTORSHIPS HELD IN ASX LISTED COMPANIES IN THE LAST THREE YEARS***

Nil

**DIRECTORS' REPORT (CONTINUED)**

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

***EXPERIENCE AND EXPERTISE***
Mr Goh has acquired years of extensive experience in the petroleum exploration industry through working with seismic contractor companies (in Singapore), a major international oil company and an Australian group of companies in Australia.

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

Mr Goh co-founded Eneabba Gas Limited in 2004, and built up the seed-capital before the Company was listed on the ASX in 2006. As Executive Director, he contributed in advancing the Centauri-1 power generation project to the point where operation licences and all other necessary statutory approvals were obtained.

***OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES***
Nil

***OTHER DIRECTORSHIPS HELD IN ASX LISTED COMPANIES IN THE LAST THREE YEARS***
Nil

***Greg Allen, B.Eng (RMIT), MBA - Non-Executive Director***

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

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

***OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES***
Nil

***OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS***
Nil

***Company Secretary***

***Brett Tucker BCom (UWA), C.A.***

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

## PRINCIPAL ACTIVITIES

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

## RESULTS

The net consolidated profit after tax attributable to members of the Company for the year ended 30 June 2013 amounted to $109 (2012: loss $703,469). The net profit is due to the receipt of a research and development tax credit which offset exploration costs, power plant feasibility costs and administration costs relating to an ASX listed entity.

## DIVIDENDS

There were no dividends paid or declared during the year.

## OPERATING AND FINANCIAL REVIEW

### Overview

The Company was established in early 2004. The Company's head office is located in the capital city of Perth, Western Australia with its main assets being Company owned land and its JORC coal resource are in Regional Western Australia. The main location, the site of the proposed Centauri-1 power station, is some 4,666 acres and is surrounded by infrastructure; a main highway on one boundary, high speed fibre optic cable, power, rail and a major port some 65 km from the site, plus a natural gas pipeline (the APA Group Parmelia Gas Pipeline) running through the land.

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

The Company is focused on securing funding to develop its Sargon Coal and Power Station projects and on identifying new opportunities in the resources and energy sector.

### Energy Assets Review

### Sargon UCG Project

The Sargon Coal Tenement (E70/2758) is located in the Mid-West of Western Australia, adjacent to major infrastructure. The existing Port of Geraldton and the proposed deep-water Oakajee port are within 65 km; a railway runs through the Tenement; and the main highway from Perth, north to the Pilbara and the Kimberley - the Brand Highway - also runs through the Tenement.

During the year the Company completed a baseline water monitoring well on the Sargon tenement which was installed at a depth of approximately 195 metres and comprised a two level monitoring bore above the Cattamarra coal measures.

This monitoring well was recommended by hydrogeology consultants, RPS Aquaterra, and has been approved by the Western Australian Department of Water.

Monitoring data will be later used to identify any potential changes in groundwater characteristics and any environmental impacts that may result from Eneabba's proposed underground coal gasification pilot plant, as well as any impact from subsequent project production.

Initial data monitoring was retrieved in January 2013, with the key findings being:-

- Groundwater within the upper Cattamarra Coal Measures and the Yarragadee Formation is reported to be brackish;
- The hydraulic conductivity of the upper Cattamarra sandstones (3 m/d) and Yarragadee Formation (1 – 1.5 m/d) are in line with expectations and previous testing by RPS Aquaterra; and
- Redox is strongly negative, indicating reducing conditions, typically seen with no connection to the atmosphere.

These initial positive results are encouraging and in the opinion of the Directors, demonstrate the suitability of the project for a successful UCG process.

**DIRECTORS' REPORT (CONTINUED)**

During the drilling of the baseline water well a sample of coal was taken and the estimated JORC inferred coal resource* for the project was increased by 11Mt following the compilation of results from the geological and geophysical logging of the coal.

The estimated coal resource is now given as:-

| | Million tonnes |
|---|---|
| Total Inferred | 130 |
| Total Indicated | 75 |
| **TOTAL** | **205** |

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

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

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

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

## Power Generation / Centauri-1 Power Station

The Company has granted approvals to construct and operate the Centauri-1 Power Station which is located approximately 8km east of Dongara on Company owned land.

The proposed Centauri 1, gas-fired power station has a base capacity of 168 MW with design in stages (depending on turbine configuration) up to 399 MW. The Company has received the various Government approvals needed for the rapid development of this vital piece of infrastructure.

The Company has Environmental Protection Authority (EPA) Works Approval (W4301/2006/1, valid until 20 December 2015) as well as a generation licence from the Economic Regulation Authority of WA (valid until 11 March 2037).

The power station is intended to meet the increasing electricity demand of the Northern Country Region of the South West Interconnected System (SWIS). Access to adequate and reliable electricity supply in the Mid West has been identified by local developers as crucial infrastructure for further development in the Mid West, particularly to supply developments involving the proposed Oakajee Port and iron ore mining projects in the region. The Oakajee Port project has been suspended as of June 2013.

Eneabba Gas is assessing development options and/ or joint venture opportunities for the 168MW gas-fired Centauri-1 Power Station.

Further to this, the Company executed a mandate with the Tianjin Mining Exchange ("TMex") to locate Chinese investors for Eneabba's Sargon UCG and Centuari-1 Power Station projects. The TMex is an international mining platform co-founded by the Ministry of Land and Resource of China, the Tianjin Municipal Government and the China Mining Association.

The Company has been granted membership to the TMEx and has successfully listed its Sargon UCG and Centauri-1 projects on the 'Bulletin Board' of the exchange which is a marketing platform for Chinese and overseas resource / energy projects.

### Corporate Activities

The Company's cash position at 30 June 2013 was $2,018,202.

### Financial Position

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

The Group has generated a comprehensive profit after tax for the year ended 30 June 2013 of $109 (2012: loss of $703,469), had a net working capital surplus of $1,995,241 (2012: $2,206,428) at 30 June 2013 and experienced net cash inflows from operating activities for the year of $653,936 (2012: outflow of $277,889).

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

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

## *SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS*

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

## *SIGNIFICANT EVENTS AFTER THE BALANCE DATE*

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

## *ENVIRONMENTAL REGULATION*

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

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

## INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year end, the Company has paid a premium of $11,100 excluding GST to insure the Directors and secretary of the Company.

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

## DIRECTORS' REPORT (CONTINUED)

## DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

| | Shares | | Options | |
|---|---|---|---|---|
| *Director* | *Held Directly* | *Held Indirectly* | *Held Directly* | *Held Indirectly* |
| Greg Allen | - | - | 1,000,000 | - |
| Thomas Goh | 8,550,554 | - | 3,000,000 | - |
| Morgan Barron | - | 3,414,265 | - | 2,750,000 |
| **TOTAL** | **8,550,554** | **3,414,265** | **4,000,000** | **2,750,000** |

## MEETINGS OF DIRECTORS

During the financial year, 14 meetings of Directors, which included resolutions of Directors, were held with the following attendances:

| **Directors** | **Meetings Attended** | **Meetings Eligible to Attend** |
|---|---|---|
| John Arndell | 13 | 13 |
| Greg Allen | 14 | 14 |
| Thomas Goh | 14 | 14 |
| Morgan Barron | 14 | 14 |

## REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Group for the year ended 30 June 2013. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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

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

Key Management Personnel

(i) Directors:
Mr John Arndell (Non-Executive Chairman – resigned 9 April 2013)
Mr Morgan Barron (Non-Executive Director)
Mr Thomas Goh (Non-Executive Director)
Mr Greg Allen (Non-Executive Director)

Remuneration Policy

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

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

Remuneration Structure

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

Non-Executive Director Remuneration

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

## REMUNERATION REPORT (AUDITED) (CONTINUED)

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

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

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

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

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

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

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

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

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

On the resignation of Directors any vested options issued as remuneration are retained by the relevant party. For details of Directors' and KMP interests in options at year end, refer Note 16 (f) of the financial report.

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

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

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

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

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

## REMUNERATION REPORT (AUDITED) (CONTINUED)

**Key management personnel of Eneabba Gas Limited**

| 2013 | Short Term Benefits | | | Post Employment Benefits | Share Based Payments | | |
|---|---|---|---|---|---|---|---|
| **Key Management Personnel** | **Salary and Fees $** | **Non Monetary $** | **Allowances $** | **Super-annuation $** | **Options $** | **Total $** | **% of remuneration of performance related** |
| | | | | | | | |
| John Arndell[1] | 34,875 | - | - | 3,139 | 1,067 | 39,081 | 3% |
| Greg Allen | 40,000 | - | - | 3,600 | 533 | 44,133 | 1% |
| Thomas Goh | 40,000 | - | - | 3,600 | 1,600 | 45,200 | 4% |
| Morgan Barron | 40,000 | - | - | 3,600 | 667 | 44,267 | 2% |
| **Total** | **154,875** | **-** | **-** | **13,939** | **3,867** | **172,681** | **-** |

1. J I Arndell resigned as Non-Executive Chairman from the Board of Directors on 9 April 2013

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

1. K S Kuang resigned as Chairman from the Board of Directors on 29 September 2011
2. K C Wan resigned as a Non-executive Director from the Board of Directors on 29 September 2011
3. M Barron was appointed as a Non-executive Director on 29 September 2011

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

There were no share-based compensation for the Directors in the current year.

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

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

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

## DIRECTORS' REPORT (CONTINUED)

### LIKELY DEVELOPMENTS

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

### AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2013 has been received and can be found on page 14.

### AUDITOR

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

### PROCEEDINGS ON BEHALF OF THE GROUP

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

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

### SHARE OPTIONS

**Shares under option**

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

There are 24,000,000 unissued ordinary shares for which options are outstanding at the date of this report.

| Description | Number |
|---|---|
| 5 cent unlisted options expiring 31 August 2014 | 23,250,000 |
| 5 cent unlisted ESOP options expiring 31 August 2014 | 500,000 |
| 7.5 cent unlisted ESOP options expiring 31 August 2014 | 250,000 |
| **Total** | **24,000,000** |

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

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

No ordinary shares were issued as a result of the exercise of share options during the current year.

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

**Morgan J Barron**
**Non-Executive Director**
27 August 2013

***Competent Person's Statement**
*This information has been compiled by Dierdre Westblade of Westby Consulting Pty Ltd, Western Australia. Dierdre Westblade is a member of the Australian Institute of Geoscientists and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which she is undertaking to qualify as a competent person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dierdre Westblade consents to the inclusion in the report of the matters based on this information in form and context in which it appears.*

## CORPORATE GOVERNANCE STATEMENT

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

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

## THE BOARD OF DIRECTORS

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

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

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

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

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

## INDEPENDENCE

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

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

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

## APPOINTMENTS TO OTHER BOARDS

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### INDEPENDENT PROFESSIONAL ADVICE

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

### GENDER DIVERSITY

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

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

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

### CONTINUOUS REVIEW OF CORPORATE GOVERNANCE

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

### CODE OF CONDUCT

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

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

### RISK MANAGEMENT SYSTEMS

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

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

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

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

## ASX PRINCIPLES OF GOOD CORPORATE GOVERNANCE

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

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

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

| ASX Principle | | Reference/comment |
|---|---|---|
| **Principle 2: Structure the Board to add value** | | |
| 2.1 – 2.2 | A majority of the Board should be independent Directors and the chair should be an independent Director | Given the Company's present size and scope, it is currently not company policy to have a majority of independent Directors. Directors have been selected to bring specific skills and industry experience to the Company. |
| 2.4 | The Board should establish a nomination committee | Given the size of the Board there is no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new Directors. In view of the size and resources available to the Company, it is not considered that a separate nomination committee would add any substance to this process. |
| **Principle 3: Promote ethical and responsible decision-making** | | |
| 3.2 – 3.3 | Companies should establish a policy concerning diversity | The Company does not have an express policy specifically addressing achieving gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future.<br><br>The Company's Corporate Governance Plan includes a corporate code of conduct, which provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace. |
| **Principle 4: Safeguard integrity in financial reporting** | | |
| 4.1 – 4.2 | The Board should establish an audit committee | The Company does not have an Audit Committee. The Board believes that, with only 3 Directors on the Board, the Board itself is the appropriate forum to deal with this function. |
| **Principle 8: Remunerate fairly and responsibly** | | |
| 8.1 | The Board should establish a remuneration committee | Given the current size of the Board, the Company does not have a remuneration committee. The Board as a whole reviews remuneration levels on an individual basis, the size of the Company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary. |
| 8.3 | Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives. | The Board acknowledges the grant of options to Non-Executive Directors is contrary to Recommendation 8.3 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to be reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves. |

HLB Mann Judd

Accountants | Business and Financial Advisers

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the consolidated financial report of Eneabba Gas Limited for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

This declaration is in respect of Eneabba Gas Limited and the entities it controlled during the year.

Giallonardo.

**Perth, Western Australia**
**27 August 2013**

**L Di Giallonardo**
**Partner**

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## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2013

| | Note | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| **Revenue** | | | |
| Finance income | 4 | 111,471 | 39,097 |
| Sale of gas income | 15 | - | 791,861 |
| Other income | | 10,963 | 10,330 |
| **Total revenue** | | **122,434** | **841,288** |
| Cost of gas sold | | - | (796,660) |
| Feasibility study | | (15,639) | (13,739) |
| Depreciation | 11(b) | (19,071) | (20,998) |
| Loss on disposal of property, plant and equipment | | - | (7,826) |
| Provision for write-down of gas inventory | 15 | - | (115,181) |
| Employee benefits expenses | 5(a) | (142,992) | (450,390) |
| Other expenses | | (248,343) | (355,031) |
| **Total costs** | | **(426,045)** | **(1,759,825)** |
| **Loss before income tax expense** | | **(303,611)** | **(918,537)** |
| Income tax benefit | 7 | 303,720 | 215,068 |
| **Profit / (loss) for the year** | | **109** | **(703,469)** |
| Other Comprehensive Income | | - | - |
| Total Comprehensive Profit / (Loss) for the year end | | **109** | **(703,469)** |
| Basic Profit / (Loss) per share – cents per share | 6 | 0.0001 | (0.53) |
| Diluted Profit / (Loss) per share – cents per share | 6 | 0.0001 | (0.53) |

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

| | Note | Consolidated 30 June 2013 $ | Consolidated 30 June 2012 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 8 | 2,018,202 | 1,631,489 |
| Receivables | 9 | 16,245 | 729,715 |
| Prepayments | | - | 3,833 |
| **Total current assets** | | **2,034,447** | **2,365,037** |
| **Non-current assets** | | | |
| Exploration and evaluation expenditure | 10 | 1,880,520 | 1,635,974 |
| Property, plant and equipment | 11 | 1,716,256 | 1,735,327 |
| **Total non-current assets** | | **3,596,776** | **3,371,301** |
| **TOTAL ASSETS** | | **5,631,223** | **5,736,338** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 39,206 | 158,609 |
| **Total current liabilities** | | **39,206** | **158,609** |
| **TOTAL LIABILITIES** | | **39,206** | **158,609** |
| **NET ASSETS** | | **5,592,017** | **5,577,729** |
| **EQUITY** | | | |
| Issued capital | 13 | 13,254,665 | 13,254,665 |
| Reserves | 13 | 1,315,738 | 1,301,559 |
| Accumulated losses | | (8,978,386) | (8,978,495) |
| **TOTAL EQUITY** | | **5,592,017** | **5,577,729** |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2013

| Consolidated 2013 | Note | Issued Capital $ | Option Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| Total equity at the beginning of the year | | 13,254,665 | 1,301,559 | (8,978,495) | 5,577,729 |
| Total comprehensive profit for the year | | - | - | 109 | 109 |
| **Transactions with equity holders:** | | | | | |
| Share-based payments | 17 | - | 14,179 | - | 14,179 |
| **Total equity at 30 June 2013** | | **13,254,665** | **1,315,738** | **(8,978,386)** | **5,592,017** |

| Consolidated 2012 | Note | Issued Capital $ | Option Reserve $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| Total equity at the beginning of the year | | 11,189,034 | 1,072,840 | (8,275,026) | 3,986,848 |
| Total comprehensive loss for the year | | - | - | (703,469) | (703,469) |
| **Transactions with equity holders:** | | | | | |
| Contributions of equity, net of transaction costs | 13(b) | 2,065,631 | - | - | 2,065,631 |
| Options issued | | - | 1,500 | - | 1,500 |
| Share-based payments | | - | 227,219 | - | 227,219 |
| **Total equity at 30 June 2012** | | **13,254,665** | **1,301,559** | **(8,978,495)** | **5,577,729** |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2013

| | Note | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|---|
| *Cash flows from operating activities* | | | |
| Interest received | | 95,875 | 39,097 |
| Proceeds from sale of inventory | | 467,861 | 319,200 |
| Other income | | 10,963 | 10,330 |
| Payments to suppliers and employees | | (295,519) | (500,784) |
| Project marketing cost | | (18,557) | - |
| Power station feasibility costs | | (33,430) | (13,739) |
| Interest paid on Director loans | | - | (3,993) |
| Research and development tax refund received | | 426,743 | - |
| Staff termination payment | | - | (128,000) |
| **Net cash provided by / (used in) operating activities** | 14 | **653,936** | **(277,889)** |
| *Cash flows from investing activities* | | | |
| Payments for property, plant and equipment | | - | (91,878) |
| Payments for capitalised exploration expenditure | | (267,223) | (52,492) |
| **Net cash (used in) investing activities** | | **(267,223)** | **(144,370)** |
| *Cash flows from financing activities* | | | |
| Proceeds from issues of shares and options | | - | 1,963,013 |
| Capital raising costs | | - | (155,388) |
| Repayment of Director loans | | - | (148,798) |
| **Net cash flows provided by financing activities** | | **-** | **1,658,827** |
| Net increase in cash and cash equivalents | | 386,713 | 1,236,568 |
| Cash and cash equivalents at the beginning of the year | | 1,631,489 | 394,921 |
| **Cash and cash equivalents at the end of the year** | 8 | **2,018,202** | **1,631,489** |

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 1: REPORTING ENTITY

Eneabba Gas Limited (the "Company") is a company domiciled in Australia. The consolidated financial report of the Company as at and for the year to 30 June 2013 comprises the Company and its subsidiaries (collectively referred to as the "Group").

A description of the nature of the Group's operations and its principal activities is included in the Operating and Financial Review in the Directors' report on page 4, which does not form part of this financial report.

### NOTE 2: BASIS OF PREPARATION

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

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Standards (IFRS).

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

This Consolidated Financial Report was approved by the Board of Directors on 27 August 2013.

<u>Financial Position</u>

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

The Group has generated a comprehensive profit after tax for the year ended 30 June 2013 of $109 had a net working capital surplus of $1,995,242 at 30 June 2013 and experienced net cash inflows from operating activities for the year of $653,936.

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

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

<u>Historical cost convention</u>
These financial statements have been prepared under the historical cost convention.

The significant policies which have been adopted in the preparation of this financial report are detailed below. These accounting policies have been consistently applied to all of the years presented unless otherwise stated.

### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

#### (a) Principles of Consolidation

<u>Subsidiaries</u>
The consolidated financial statements comprise the assets and liabilities of Eneabba Gas Limited and its subsidiaries at 30 June 2013 and the results of the subsidiaries for the year then ended. A subsidiary is any entity controlled by Eneabba Gas Limited.

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Principles of Consolidation (Continued)

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

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

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

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

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

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

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

If the Group loses control over a subsidiary, it:

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

#### (b) Segment Reporting

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

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (b) Segment Reporting (Continued)

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

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

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

#### (c) Income Tax

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

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

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

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

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

#### (d) Goods and Services Tax

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

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

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

#### (e) Trade and Other Receivables

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

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (e) Trade and Other Receivables (Continued)

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

### (f) Exploration and Evaluation Expenditure

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

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

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

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

### (g) Property, Plant and Equipment

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

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

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

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

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

Freehold is carried at cost and is not depreciated.

### (h) Business Combinations

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

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

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Impairment of Non-Financial Assets

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

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

### (j) Share-Based Payments

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

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

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

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

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

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

### (k) Cash and Cash Equivalents

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

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

### (l) Finance income and expense

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Issued Capital

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

#### (n) Earnings per Share

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

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

#### (o) Trade and other Payables

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

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

#### (p) Foreign Currency Translation

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

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

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

#### (q) Significant Accounting Estimates and Assumptions

<u>Critical accounting estimates</u>

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

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (q) Significant Accounting Estimates and Assumptions (Continued)

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

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

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

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

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

*iii) Share-based payment transactions*
The Group measures the cost of equity-settled transactions with management and other parties by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by the Board of Directors using either the Binomial or the Black-Scholes valuation methods, taking into account the terms and conditions upon which the equity instruments were granted. The assumptions in relation to the valuation of the equity instruments are detailed in Note 17. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting year end but may impact expenses and equity.

### (r) Comparative Information

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

### (s) New Accounting Standards for Application in Future Years

In the year ended 30 June 2013, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2013. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

### (t) Parent Entity information

The financial statements for the parent entity, Eneabba Gas Limited, disclosed in Note 21 have been prepared on the same basis as the consolidated financial statements.

## NOTE 4: INCOME

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| **Finance income** | | |
| Interest income | 111,471 | 39,097 |
| **Total income** | **111,471** | **39,097** |

## NOTE 5: SIGNIFICANT PROFIT / (LOSS) ITEMS

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| Profit / (loss) before income tax is after crediting (charging) the following items | | |
| Finance revenue – banks | 111,471 | 39,097 |
| Sale of inventory gas | - | 791,861 |
| Cost of gas sold | - | (796,660) |
| Depreciation of plant and equipment | (19,071) | (20,998) |
| Inventory write down | - | (115,181) |
| Share based payments | (14,179) | (142,519) |
| Feasibility study costs written off | - | (13,739) |

## NOTE 5(a): EMPLOYEE BENEFITS

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| Wages and salaries | (128,813) | (237,690) |
| Employee termination payment | - | (128,000) |
| Employee entitlements: | | |
| Share based payments – Director options | (4,400) | (74,433) |
| Share based payments - employee options | (9,779) | (10,267) |
| **Total employee benefits** | **(142,992)** | **(450,390)** |

## NOTE 6: LOSS PER SHARE

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Basic and diluted loss per share – cents | 0.0001 | (0.53) |
| Profit/(Loss) used in the calculation of basic and diluted loss per share | 109 | (703,469) |
| Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share | 160,418,038 | 134,034,429 |
| Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share | 184,271,747 | 134,034,429 |

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

## NOTE 7: INCOME TAX

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Profit / (loss) before tax | 109 | (703,469) |
| Tax at the statutory rate of 30% (2012: 30%): | 32 | (211,041) |
| Non-deductible expenses | 4,254 | 68,257 |
| Effect of tax losses and tax offsets not recognised as deferred tax assets | (4,286) | 142,784 |
| Research and development tax offset | 303,720 | 215,068 |
| **Income tax benefit recognised in profit or loss** | **303,720** | **215,068** |

Deferred tax assets and liabilities are attributable to the following:

| | Consolidated | | | | | |
|---|---|---|---|---|---|---|
| | Assets | | Liabilities | | Net | |
| | 2013 $ | 2012 $ | 2013 $ | 2012 $ | 2013 $ | 2012 $ |
| Accruals | (8,100) | (9,600) | - | - | (8,100) | (9,600) |
| Superannuation payable | - | (401) | | - | - | (401) |
| Capital raising | (82,475) | (132,348) | - | - | (82,475) | (132,348) |
| Exploration costs | - | - | 564,156 | 490,792 | 564,156 | 490,792 |
| Tax losses | (473,581) | (348,443) | - | - | (473,581) | (348,443) |
| Tax (assets) liabilities | (564,156) | (490,792) | 564,156 | 490,792 | - | - |
| Set off of tax | 564,156 | 490,792 | (564,156) | (490,792) | - | - |
| Net tax (assets) liabilities | - | - | - | - | - | - |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 7: INCOME TAX (CONTINUED)

Movements in temporary differences during the year – 2013

| | Balance 1 July 2012 | Recognised in Income | Recognised in Equity | Balance 30 June 2013 |
|---|---|---|---|---|
| Exploration and evaluation assets | 490,792 | 73,364 | - | 564,156 |
| Accruals | (9,600) | 1,500 | - | (8,100) |
| Superannuation payable | (401) | 401 | - | - |
| Capital raising | (132,348) | - | 49,873 | (82,475) |
| Tax losses | (348,443) | (75,265) | (49,873) | (473,581) |
| | - | - | - | - |

Movements in temporary differences during the year – 2012

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

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

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| Tax losses | 2,432,972 | 2,415,266 |

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 8: CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| **Reconciliation to Statement of Financial Position** | | |
| Cash at bank | 2,018,202 | 1,631,489 |
| Total cash and cash equivalents[(a)] | **2,018,202** | **1,631,489** |

[(a)] Cash at bank is subject to floating interest rates at an effective interest rate of 4.22% (2012: 3.50%)

### NOTE 9: TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| Current | | |
| Other receivables - | | |
| Inventory gas sales | - | 514,647 |
| Research & development tax offset – FY 2011 | - | 215,068 |
| Interest receivable | 15,595 | - |
| Other receivables[(a)] | 650 | - |
| Total trade and other receivables (net of GST) | **16,245** | **729,715** |

[(a)] Other receivables are non-trade receivables, are non-interest bearing and have an average term of 3 months and generally receivable from the ATO for GST.

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

### NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| Exploration and evaluation expenditure | 1,880,520 | 1,635,974 |
| | | |
| Carrying amount at beginning of year | 1,635,974 | 1,583,482 |
| Additions | 244,546 | 52,492 |
| **Carrying amount at year end – exploration and evaluation phase** | **1,880,520** | **1,635,974** |

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

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 10: EXPLORATION AND EVALUATION EXPENDITURE (CONTINUED)

These commitments may be varied as a result of renegotiations, relinquishments, farm-outs, sales or carrying out work in excess of the permit obligations. The minimum expenditure required by the Group on its exploration permit as at the balance sheet date for the next 12 months as required by the Department of Mines & Petroleum is given below. Commitments beyond this time frame cannot be estimated reliably as minimum expenditure requirements are reassessed annually. These commitments have not been provided for in the financial report, and are payable as follows:

| | Consolidated | |
|---|---|---|
| | **2013** | **2012** |
| | **$** | **$** |
| Within one year | 121,000 | 210,000 |
| Within two years to five years | - | - |
| Later than five years | - | - |
| **Total** | **121,000** | **210,000** |

### NOTE 11: PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|---|---|---|
| **(a) Carrying Values** | **2013** | **2012** |
| | **$** | **$** |
| Freehold land at cost | 1,547,572 | 1,547,572 |
| Fencing and fire mitigation at written down value | 167,134 | 186,032 |
| Storage container at written down value | 1,550 | 1,723 |
| Total | **1,716,256** | **1,735,327** |
| | | |
| **(b) Total Depreciation Expense** | 19,071 | 20,998 |

**(c) Reconciliations**

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

| | | |
|---|---|---|
| **Freehold land** | | |
| Carrying amount at beginning of year | 1,547,572 | 1,547,572 |
| Carrying amount at end of year | **1,547,572** | **1,547,572** |
| | | |
| **Fencing and fire mitigation** | | |
| Carrying amount at beginning of year | 186,032 | 112,823 |
| Additions | - | 92,846 |
| Depreciation expense | (18,898) | (19,637) |
| Carrying amount at end of year | **167,134** | **186,032** |
| | | |
| **Storage container** | | |
| Carrying amount at beginning of year | 1,723 | 1,914 |
| Depreciation expense | (173) | (191) |
| Carrying amount at end of year | **1,550** | **1,723** |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 11: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **Furniture and fittings** | | |
| Carrying amount at beginning of year | - | 9,964 |
| Disposal – cash sale | - | (968) |
| Loss on disposal | - | (7,826) |
| Depreciation expense | - | (1,170) |
| Carrying amount at end of year | - | - |

### NOTE 12: TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| Trade payables [(a)] | 12,206 | 50,236 |
| Accruals | 27,000 | 32,000 |
| Other payables [(b)] | - | 76,373 |
| | **39,206** | **158,609** |

[(a)] Trade payables are non-interest bearing and are normally settled on 30-day terms.
[(b)] Other payables are non-trade payables, are non-interest bearing and have an average term of 3 months and generally payable to ATO for GST.

### NOTE 13: ISSUED CAPITAL & RESERVES

| **CONSOLIDATED 2013** | **No.** | **$** |
|---|---|---|
| **(a) Issued and Paid Up Capital** | | |
| Fully paid ordinary shares | **160,418,038** | 13,254,665 |
| | | |
| **(b) Movements in fully paid shares on issue** | | |
| Balance as at 1 July 2012 | 160,418,038 | 13,254,665 |
| **Balance as at 30 June 2013** | **160,418,038** | **13,254,665** |
| | | |
| **(c) Share Options** | | |
| Balance as at 1 July 2012 | 25,937,013 | 1,301,559 |
| Unlisted options issued to Directors (issued in prior period) | - | 4,400 |
| Unlisted options issued under ESOP | 750,000 | 9,779 |
| Expiry of listed options | (2,687,013) | - |
| **Balance as at 30 June 2013** | **24,000,000** | **1,315,738** |

| **CONSOLIDATED 2012** | **No.** | **$** |
|---|---|---|
| **(a) Issued and Paid Up Capital** | | |
| Fully paid ordinary shares | **160,418,038** | **13,254,665** |
| | | |
| **(b) Movements in fully paid shares on issue** | | |
| Balance as at 1 July 2011 | 86,384,055 | 11,189,034 |
| Shares in relation to exercise of listed options | 3 | - |
| Ordinary shares issued in relation to capital raisings | 74,033,980 | 2,221,019 |
| Capital raising costs | - | (155,388) |
| **Balance as at 30 June 2012** | **160,418,038** | **13,254,665** |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 13: ISSUED CAPITAL & RESERVES (CONTINUED)

| | No. | $ |
|---|---|---|
| **(c) Share Options** | | |
| Balance as at 1 July 2011 | 19,983,928 | 1,072,840 |
| Unlisted options issued to Directors | 7,250,000 | 74,433 |
| Unlisted options issued under ESOP | 1,000,000 | 10,267 |
| Unlisted options issued to Consultants | 15,000,000 | 144,019 |
| Exercise of listed options (exercise price of $0.25) | (3) | - |
| Expiry of listed options (exercise price of $0.25) | (17,296,912) | - |
| **Balance as at 30 June 2012** | **25,937,013** | **1,301,559** |

During the year no options were exercised to take up ordinary shares.

As at the year end the Company had a total of 24,000,000 unissued ordinary shares on which options are outstanding with a weighted average exercise price of 5.03 cents. The weighted average remaining contractual life of all share options outstanding at the end of the year is 1.17 years.

Nature and purpose of reserves

a. Options reserve

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

### NOTE 14: OPERATING CASH FLOW INFORMATION

| | Consolidated | |
|---|---|---|
| | 2013 | 2012 |
| | $ | $ |
| **Reconciliation of Profit / Loss for the Year to Net Cash Flows provided by / (used in) Operations** | | |
| Profit / (loss) for the year | 109 | (703,469) |
| Adjustments for: | | |
| Depreciation | 19,071 | 20,998 |
| Loss on disposal of property, plant and equipment | - | 7,826 |
| Share option expense | 14,179 | 227,219 |
| Director loan interest paid via equity in financing activities | - | 8,304 |
| Changes in assets and liabilities: | | |
| (Increase) / decrease in inventories | - | 890,000 |
| (Increase) / decrease in trade and other receivables | 714,120 | (729,715) |
| (Increase) / decrease in prepayments | 3,832 | 52,951 |
| Increase / (decrease) in trade and other payables | (97,375) | 101,825 |
| Increase / (decrease) in provision for employee termination payments | - | (128,000) |
| Increase / (decrease) in provision for employee termination payments | - | (25,828) |
| Net cash flows provided by / (used in) operations | **653,936** | **(277,889)** |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 15: INVENTORIES

| | Consolidated 2013 $ | 2012 $ |
|---|---|---|
| Inventories – opening balance | - | 890,000 |
| Add : Inventories costs during the year | - | 17,042 |
| Less : Write-down during the year | - | (115,181) |
| Less: Sale of inventory | - | (791,861) |
| Closing balance | **-** | **-** |

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

### NOTE 16: RELATED PARTY INFORMATION

*a) Parent and ultimate controlling party*
The parent entity and ultimate controlling party is Eneabba Gas Limited.

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

| Name | Country of Incorporation | % Equity Interest 2013 |
|---|---|---|
| Eneabba Energy Pty Ltd | Australia | 100% |
| Eneabba Mining Pty Ltd | Australia | 100% |
| Eneabba Holdings Pty Ltd[1] | Australia | - |
| Eneabba Power Pty Ltd[1] | Australia | - |

**1 Eneabba Holdings Pty Ltd and Eneabba Power Pty Ltd were deregistered on 7 February 2013**

*b) Key Management Personnel compensation*
Information on remuneration of all Directors and Key Management Personnel is contained in the Remuneration Report within the Directors' Report. Please refer to page 9 of the Directors' Report for Key Management Personnel remuneration information.

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

| | Consolidated 2013 $ | 2012 $ |
|---|---|---|
| Short term employee benefits | 154,875 | 191,959 |
| Post-employment benefits | 13,939 | 16,950 |
| Share based payments | 3,867 | 74,433 |
| **Total** | **172,681** | **283,342** |

*c) Loans to and from related parties*
Terms and Conditions of loans
Loans between entities in the wholly owned Group are not interest bearing, unsecured and are payable upon reasonable notice having regard to the financial stability of the Company.

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 16: RELATED PARTY INFORMATION (CONTINUED)

*d) Other related party transactions*
Transactions with other related parties are made on normal commercial terms and conditions and at market rates. Outstanding balances are unsecured and are repayable in cash.

Ventnor Capital Pty Ltd, a company of which Mr Morgan Barron is a Director, provided office accommodation, support and corporate services in relation to the administration of the Company during the year. A mandate between Eneabba Gas Limited and Ventnor Capital Pty Ltd was signed for the above services commencing from 1st December 2011.

A summary of the total fees paid and payable (inclusive of GST) to Ventnor Capital Pty Ltd for the year ended 30 June 2013 is as follows:

| | 2013 $ | 2012 $ |
|---|---|---|
| Serviced office, company secretarial & CFO services, bookkeeping services, IT support, corporate advisory, general administration and registered office | 99,774 | 45,867 |
| Financial accounting services including preparation of annual & interim reports | 17,288 | 22,935 |
| **Total** | **117,062** | **68,802** |

Share options were issued to the Company Secretary under the Company's employee incentive scheme. Refer to Note 17 for details.

*e) Share holdings of key management personnel*
The movement in the number of ordinary shares of Eneabba Gas Limited held, directly, indirectly or beneficially, by each Director, including their personally-related entities for the year ended 30 June 2013:

| Directors | Held at 1 July 2012 | Movement during year | Options Exercised | Held at 30 June 2013 |
|---|---|---|---|---|
| J Arndell[1] | - | - | - | - |
| G Allen | - | - | - | - |
| T Goh | 8,550,554 | - | - | 8,550,554 |
| M Barron | 3,414,265 | - | - | 3,414,265 |
| **Total** | **11,964,819** | **-** | - | **11,964,819** |

1. J I Arndell resigned as Non-Executive Chairman on 9 April 2013. The closing balance shown is at that date.

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

1. J Arndell was appointed as a Non-executive Director on 27 May 2011 and then as a Non-executive Chairman on 29 September 2011
2. G Allen was appointed as a Non-executive Director on 29 September 2011
3. M Barron was appointed as a Non-executive Director on 29 September 2011
4. K S Kuang resigned as a Non-executive Chairman on 29 September 2011. The closing balance shown is at that date.
5. K C Wan resigned as a Non-executive Director on 29 September 2011. The closing balance shown is at that date.

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 16: RELATED PARTY INFORMATION (CONTINUED)

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

| Directors | Held at 1 July 2012 | Movement during year | Exercised | Held at 30 June 2013 | Vested and exercisable at 30 June 2013 |
|---|---|---|---|---|---|
| T Goh | 4,527,778 | (1,527,778) | - | 3,000,000 | 3,000,000 |
| J Arndell[1] | 2,000,000 | - | - | 2,000,000 | 2,000,000 |
| G Allen | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| M Barron | 2,750,000 | - | - | 2,750,000 | 2,750,000 |
| **Total** | **10,277,778** | **(1,527,778)** | **-** | **8,750,000** | **8,750,000** |

1. J I Arndell resigned as Non-Executive Chairman on 9 April 2013. The closing balance shown is at that date.

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

1. K S Kuang resigned as a Non-executive Chairman on 29 September 2011. The closing balance shown is at that date.
2. K C Wan resigned as a Non-executive Director on 29 September 2011. The closing balance shown is at that date.
3. G Allen was appointed as a Non-executive Director on 29 September 2011
4. M Barron was appointed as a Non-executive Director on 29 September 2011

### NOTE 17: SHARE BASED PAYMENTS

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

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

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

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

During the financial year, the following share-based payments were made:

| | $ |
|---|---|
| Share-based payments: | |
| Director options – issued in prior period (expensed over vesting period) | 4,400 |
| 750,000 Options issued to Company Secretary under EIS | 9,779 |
| | 14,179 |

## NOTE 17: SHARE BASED PAYMENTS (CONTINUED)

***1. Options issued to the Company Secretary under EIS***

On 10 September 2012 the Company issued 750,000 Options to Brett Tucker, Company Secretary, as announced to the ASX on 10 September 2012. These options were granted under the Company's Employee Incentive Scheme which was approved by shareholders at the 2011 AGM. Upon exercise of the options into ordinary fully paid shares, the allotted and issued shared will rank equally in all respects with an existing class of quoted securities. There are no voting rights attached, the options are not transferable and they may be exercised at any time until 31 August 2014.

The 500,000 options exercisable at $0.05 are due to vest on 1 January 2013, with the balance of 250,000 options exercisable at $0.075 due to vest on 30 September 2013.

The details of the options issued to the Company Secretary are as follows:

| 2012 Granted | Terms & Conditions for each Grant | | | | | | Vested | |
|---|---|---|---|---|---|---|---|---|
| # | Grant Date | Fair Value at Grant Date | Exercise Price per Option | Expiry Date | First Exercise Date | Last Exercise Date | No | % |
| 500,000 | 10/09/12 | $0.0156 | $0.05 | 31/08/14 | - | - | 500,000 | 100% |
| 250,000 | 10/09/12 | $0.0104 | $0.075 | 31/08/14 | - | - | - | 0% |

**Fair value of options granted**

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

The table below summarises the model inputs for the options granted to the Company Secretary during the period:

| Model Inputs | Options | Options |
|---|---|---|
| 1. Options granted for no consideration: | 500,000 | 250,000 |
| 2. Exercise price (cents): | 5.00 | 7.50 |
| 3. Valuation date: | 10 September 2012 | 10 September 2012 |
| 4. Expiry date: | 31 August 2014 | 31 August 2014 |
| 5. Underlying security spot price at grant date (cents): | 4.40 | 4.40 |
| 6. Expected price volatility of the Company's shares: | 70% | 70% |
| 7. Expected dividend yield: | 0% | 0% |
| 8. Risk-free interest rate: | 2.69% | 2.69% |

## NOTE 18: AUDITOR'S REMUNERATION

| | Consolidated 2013 $ | Consolidated 2012 $ |
|---|---|---|
| *Amounts payable to auditor of the Group* | | |
| Audit and review services - payable to HLB Mann Judd | 26,735 | 26,000 |
| Non-audit services | - | - |
| | **26,735** | **26,000** |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 19: FINANCIAL RISK MANAGEMENT

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

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

a) Market Risk
*Foreign Currency Risk*
The Company is not directly exposed to any foreign currency risk.

*Price risk*
The Company is not directly exposed to any price risk.

*Interest rate risk*
The Group is exposed to interest rate risk on cash balances held in interest bearing accounts. The Board constantly monitors its interest rate exposure and attempts to maximise interest income by using a mixture of fixed and variable interest rates, whilst ensuring sufficient funds are available for the Group's operating activities. The Group's net exposure to interest rate risk at 30 June 2013 approximates the value of cash and cash equivalents.

b) Credit Risk
The Group has no significant concentrations of credit risk.

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

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

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

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

| Consolidated Risk Variable | Sensitivity* | Effect On: Profit/Loss 2013 $ | Effect On: Equity 2013 $ |
|---|---|---|---|
| Interest Rate | + 1.50% | 27,373 | 27,373 |
| | - 1.50% | (27,373) | (27,373) |

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 19: FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

### NOTE 20: SEGMENT REPORTING

**Description of segments**

**Segment Reporting**

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

| | Energy & Electricity Generation | Mineral Exploration | Unallocated | Consolidated |
|---|---|---|---|---|
| **2013** | $ | $ | $ | $ |
| **Segment income** | | | | |
| Interest received | - | - | 111,471 | 111,471 |
| Lease Income | 3,410 | - | - | 3,410 |
| Other income | 7,553 | - | - | 7,553 |
| Total income | 10,963 | - | 111,471 | 122,434 |
| **Segment expenses** | | | | |
| Feasibility study costs | (15,639) | - | - | (15,639) |
| Net other costs | - | - | (391,335) | (391,335) |
| Loss before amortisation and depreciation | (4,676) | - | (279,864) | (284,540) |
| Amortisation and depreciation | (19,071) | - | - | (19,071) |
| Loss before income tax | (23,747) | - | (279,864) | (303,611) |
| **Segment assets and liabilities** | | | | |
| Property plant & equipment | 1,716,256 | - | - | 1,716,256 |
| Exploration assets | - | 1,880,520 | - | 1,880,520 |
| Other current assets | - | - | 2,034,447 | 2,034,447 |
| Liabilities | - | - | (39,206) | (39,206) |
| Net assets | 1,716,256 | 1,880,520 | 1,995,241 | 5,592,017 |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 20: SEGMENT REPORTING (CONTINUED)

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

### NOTE 21: PARENT ENTITY DISCLOSURES

As at 30 June 2013, and throughout the year then ended, the parent company of the Group was Eneabba Gas Limited.

| | Company 2013 | Company 2012 |
|---|---|---|
| | $ | $ |
| **Result of the parent entity** | | |
| Profit / (loss) for the year | 296,180 | (491,446) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | 296,180 | (491,446) |
| | | |
| **Financial position of the parent entity at year end** | | |
| Current assets | 2,037,040 | 1,489,929 |
| Non-current assets | - | - |
| Total assets | 2,037,040 | 1,489,929 |
| | | |
| Current liabilities | 39,076 | 158,609 |
| Total liabilities | 39,076 | 158,609 |
| | | |
| **Total equity of the parent entity comprising of:** | | |
| Share capital | 13,254,665 | 13,254,665 |
| Options reserve | 1,315,738 | 1,301,560 |
| Accumulated losses | (12,572,439) | (13,224,905) |
| Total equity | 1,997,964 | 1,331,320 |

## NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2013

### NOTE 21: PARENT ENTITY DISCLOSURES (CONTINUED)

**Parent Entity Contingencies**

The Directors are not aware of any contingent liabilities that may arise from the Company's operations as at 30 June 2013.

### NOTE 22: SUBSEQUENT EVENTS

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

### NOTE 23: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2013.

## DIRECTORS' DECLARATION

In the Directors' opinion:

a) the accompanying financial statements set out on pages 15 to 40 and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance, as represented by the results of its operations, changes in equity and cash flows, for the year ended on that date; and

   ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

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

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2013.

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

Morgan Barron
Non-Executive Director
Perth
27 August 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

## 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 ("the company"), which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

***Directors' responsibility for the financial report***

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

In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the financial report complies with International Financial Reporting Standards.

***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company'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 internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

***Independence***

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

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
**Level 4, 130 Stirling Street Perth WA 6000. PO Box 8124 Perth BC 6849 Telephone +61 (08) 9227 7500. Fax +61 (08) 9227 7533.**
**Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au**

HLB Mann Judd

Accountants | Business and Financial Advisers

***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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

**Report on the Remuneration Report**

We have audited the remuneration report included in the directors' report for the year ended 30 June 2013. 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 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

**HLB Mann Judd**
**Chartered Accountants**

Giallonardo.

**L Di Giallonardo**
**Partner**

**Perth, Western Australia**
**27 August 2013**

## ENEABBA GAS LIMITED
## ABN: 69 107 385 884

### ASX ADDITIONAL INFORMATION

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

### SHAREHOLDINGS

The issue capital of the Company at 21 August 2013 is 160,418,038 ordinary fully paid shares. All ordinary shares carry one vote per share.

### TOP 20 SHAREHOLDERS AS AT 21 AUGUST 2013

| | | No. of Shares Held | % Held |
|---|---|---|---|
| 1 | Kuang Koo Sing + Lai Wah* | 17,450,842 | 10.88% |
| 2 | Wu Lewis Lick Wei | 12,343,846 | 7.69% |
| 3 | Hemisphere Investment Partners Pty Ltd | 9,744,683 | 6.07% |
| 4 | Goh Thomas Lik Cheng | 8,450,554 | 5.27% |
| 5 | Riverview Corp Pty Ltd* | 7,391,210 | 4.61% |
| 6 | Wan Kar Chan + Yin Wan | 5,250,000 | 3.27% |
| 7 | DBS Vickers Sec Singapore | 3,857,260 | 2.40% |
| 8 | Whiddon Glenn Ross* | 3,833,342 | 2.39% |
| 9 | Lee Clara Lin-K'un | 3,499,999 | 2.18% |
| 10 | Hong Wee Kee | 3,255,000 | 2.03% |
| 11 | Nugent Owen William + Nugent Sean Martin | 2,625,000 | 1.64% |
| 12 | Amalgamation Sale & Takeover | 2,600,000 | 1.62% |
| 13 | St Barnabas Inv Pty Ltd | 2,582,961 | 1.61% |
| 14 | Saunders John Milton | 2,565,000 | 1.60% |
| 15 | Jacob Murray John | 2,500,000 | 1.56% |
| 16 | Lee Fui Howe | 2,449,999 | 1.53% |
| 17 | Dixtru Pty Ltd | 2,051,960 | 1.28% |
| 18 | Teo Augustine Chew Teck | 2,012,499 | 1.25% |
| 19 | Weston William Jeremy | 2,000,000 | 1.25% |
| 20 | Whithorn Nominees Pty Ltd | 1,666,667 | 1.04% |
| | | **98,130,822** | **61.17%** |

*denotes merged holdings

| Shares Range | No. of Holders | No. of Shares |
|---|---|---|
| 1 – 1,000 | 28 | 1,672 |
| 1,001 – 5,000 | 97 | 392,020 |
| 5,001 – 10,000 | 183 | 1,532,915 |
| 10,001 – 100,000 | 367 | 13,204,355 |
| 100,001 and over | 138 | 145,350,076 |
| | **813** | **160,418,038** |
| Number holding less than a marketable parcel at $0.02 per share | 482 | 4,815,809 |

| Shareholders by Location | No. of Holders | No. of Shares |
|---|---|---|
| Australian holders | 786 | 117,634,855 |
| Overseas holders | 27 | 42,783,183 |
| | **813** | **160,418,038** |

### VOTING RIGHTS

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

### SUBSTANTIAL SHAREHOLDERS AS AT 21 AUGUST 2013

| | | No. of Shares Held | % Held |
|---|---|---|---|
| 1 | Kuang Koo Sing + Lai Wah* | 17,450,842 | 10.88% |
| 2 | Wu Lewis Lick Wei | 12,343,846 | 7.69% |
| 3 | Hemisphere Investment Partners Pty Ltd | 9,744,683 | 6.07% |
| 4 | Goh Thomas Lik Cheng | 8,450,554 | 5.27% |
| | | **47,989,925** | **29.91%** |

# ASX ADDITIONAL INFORMATION (CONTINUED)

## OPTION HOLDINGS

The Company has the following classes of options on issue at 21 August 2013 as detailed below. Options do not carry any rights to vote.

| Class | | Terms | No. of Options |
|---|---|---|---|
| ENB-1 | Unlisted Options | Exercisable at $0.05 expiring on or before 31 August 2014 | 23,250,000 |
| ENB-2 | Unlisted Options | Exercisable at $0.05 expiring on or before 31 August 2014 | 500,000 |
| ENB-3 | Unlisted Options | Exercisable at $0.075 expiring on or before 31 August 2014 | 250,000 |

## UNLISTED OPTIONS

| Options Range | Unlisted Options | |
|---|---|---|
| | No. of Holders | No. of Options |
| 1 – 1,000 | - | - |
| 1,001 – 5,000 | - | - |
| 5,001 – 10,000 | - | - |
| 10,001 – 100,000 | 3 | 200,000 |
| 100,001 and over | 15 | 23,800,000 |
| | **18** | **24,000,000** |

## SCHEDULE OF MINING TENEMENTS

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

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