

**ENEABBA GAS™ LIMITED**

ABN 69 107 385 884

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21 January 2010

Nicholas Ong
Principal Adviser, Issuers (Perth)
ASX Limited
Exchange Plaza,
2 The Esplanade,
Perth, WA 6000

Dear Nicholas,

In response to the queries in your letter dated the 18 January 2010 and using your numbering, we advise the following:

1. No. Encabba Gas Limited will have sufficient cash to fund activities. Factors to consider are;
 - I. Purchase of gas inventory – In excess of \$ 1.0 million was spent on purchasing gas inventory during the quarter ending 31 Dec 2009. The Company anticipates selling and receiving payment for the gas inventory before the end April 2010. The Company is confident that the sale of gas inventory will occur. It is noted that in previous Appendix 4C's the purchase and sale of gas inventory was disclosed as an investing activity however as the activity has become a recurring one it is now being disclosed in operating activities.
 - II. Exercise of options – The Company has at today's date 14,699,171 options with a exercise price of 15 cents expiring on the 30 June 2010. The average share prices for the underlying ENB share during the previous quarter and half year was 27 cents and 31 cents respectively. If these options are exercised up to \$2.2 million will be received by the Company prior to 30 June 2010.
2. In quarters where a significant amount of gas is purchased the cash outflow may be similar to that reported in the previous quarter. In quarters where gas is sold the resultant cashflow will depend on the quantity of gas sold, the revenue achieved from that sale and the level of other operating and development expenditure of the Company. In quarters where gas is not bought or sold the level of cashflows will depend on the level of operating and development expenditures.
3. There was variance of less than 1% between total actual operating cash flows and total budgeted operating cash flows for the quarter.
4. The Company will sell its gas inventory to replenish cash to continue its business objectives. Subject to its share price remaining above the exercise price of the options the Company also expects to receive cash from the exercise of options.
5. Yes.

6. The Company complies with listing rule 12.2. It has a strong Balance sheet, with net assets of over \$7 million and an excess of current assets over current liabilities of \$2.7 million with strong positive cash flows from gas sales and exercise of options expected in upcoming quarters.

Yours Faithfully,



Simon Robertson
Company Secretary
Eneabba Gas Limited



ASX Markets Supervision Pty Ltd
ABN 26 087 780 489
2 The Esplanade
Perth WA 6000

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Perth WA 6840

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18 January 2010

Simon Robertson
Company Secretary
Eneabba Gas Limited
Level 1, 30 Ord Street
West Perth WA 6005

By Facsimile: 9321 0299

Dear Simon,

Eneabba Gas Limited (the "Company")

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 31 December 2009, released to ASX Limited ("ASX") on 15 January 2010, (the "Appendix 4C").

ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Net negative operating cash flows for the quarter of \$[1,791,000].
3. Cash at end of quarter of \$1,566,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities until March 2010. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives?
5. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
6. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on **facsimile number 9221 2020**. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 5.00 p.m. W.S.T. on Friday, 22 January 2010**.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please contact me on 9224 0017.

Yours sincerely,



Nicholas Ong
Principal Adviser, Issuers (Perth)