



Eneabba Gas Limited

ABN 69 107 385 884

2 October 2012

Company Update

Dear Shareholder and fellow investor,

On behalf of the Board, I would like to thank for you for your support of the Company and to take the opportunity to reiterate the exciting potential that lies ahead for Eneabba Gas.

Following the recapitalisation of the Company and changes to the Board that occurred in late 2011, this letter is intended to provide a summary of Company activity and to highlight the prospects for the Company's projects going forward. This letter is not intended to be exhaustive and project specific announcements will be released in the coming months.

Company Snapshot

Eneabba Gas Limited ("Eneabba" or the "Company") was established early in 2004 and listed on the Australian Stock Exchange on 28 April 2006. The Company's head office is in the capital city of Perth, Western Australia and its main assets and resources are in Regional Australia.

The Company's projects are located in Western Australia and comprise its coal asset which is being assessed for underground coal gasification and its proposed Centuari-1 Power Station which is to be constructed on Company owned land, in close proximity to Dongara, amidst extensive existing infrastructure.

Board

In the first half of 2011, Eneabba was incurring significant operating cash expenditure and a number of changes occurred at Board level. Following this, in September 2011 the new Board engaged Ventnor Securities to underwrite two placements and an entitlement offer to shareholders to raise approximately \$2.2 million and concurrently appointed Mr Morgan Barron and Mr Greg Allen to the Board.

The Board has since focused on reducing the Company's cash expenditure so funds are available for project development which has seen operating cash burn reduced significantly (around 70%) up to the current date. These reductions were achieved generally across all expense categories with the outsourcing of all administrative functions, rationalising property rental requirements and all directors operating on a non executive basis although they remain very active in all operational aspects of the Company. The Company is now in a solid cash position which it will continue to use to develop the Company's UCG coal and power projects and actively pursue new opportunities in the resources and energy sector.

Sargon UCG Project

The Company has been actively investigating several avenues for funding the development of the Sargon UCG Project and will keep the market informed as necessary.

Meanwhile a further hydrogeological assessment of the groundwater environment has been scheduled in October 2012 with the drilling of a baseline monitoring well. RPS Aquaterra has been engaged to collect the initial baseline water data as well as conduct a second suite of permeability testing of the nominated aquifers.

Data collected from the drilling and subsequent monitoring will be crucial in securing State Government approval for Western Australia's first proposed UCG project. Further, this data will be useful in funding discussions with potential investors as it is anticipated to further highlight the prospectivity of the tenement area for a successful and environmentally sustainable UCG process.



Centauri-1 Power Station

Similar to the Sargon UCG Project, the Board has been focused on securing funding for the power station project, both as a stand-alone prospect or together with the UCG project.

The Directors are actively striving to reach an agreement which will unlock the value of the Company's projects for the benefit of its shareholders.

The Centauri-1 Power Station project has received all necessary State government and environmental approvals to begin construction and operation including an Electricity Generation Licence valid to 11 March 2037 and Environmental Protection Authority Works Approval valid to 20 December 2015.

New Opportunities for Growth

The Board is continually reviewing new energy and resource projects, both in Australia and internationally. The Directors are seeking to identify additional quality 'company making' projects that can provide significant value growth to shareholders.

Corporate Developments

The Company secured the sale of its remaining 176 terajoules of inventory gas by 30 June 2012, which was held under a Gas Swap Agreement with Verve Energy. The progressive gas sale was executed through a Gas Sale Agreement, as announced to the ASX on 13 March 2012, at a premium to the price available under the existing Gas Swap Agreement. The cash from the final gas sale instalment was received in July 2012.

Summary

The Company has invested a considerable amount in developing its Sargon UCG and Centauri-1 Power Station Projects over the past 8 years and now stands poised to realise the benefits from these investments.

The Company has overcome its past difficulties and is now in a solid cash position and has an experienced and motivated Board in place in order to advance its current projects and to source new growth opportunities for shareholders in the energy and resources sector.

We look forward to keeping you informed as the Company and its projects develop.

Yours sincerely

John Arndell

NON-EXECUTIVE CHAIRMAN

Eneabba Gas Limited