

# **ENEABBA GAS LIMITED**

**ABN 69 107 385 884**

## **PROSPECTUS**

**FOR**

**A non-renounceable entitlement offer of 1 new Share each at an issue price of \$0.095, on the basis of 1 new Share for every 6 Shares held at the Record Date together with 1 free attaching Option for each three new Shares applied for.**

**THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT SHOULD BE READ IN ITS ENTIRETY.**

**IF YOU ARE IN DOUBT ABOUT WHAT TO DO, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY.**

**THE SECURITIES OFFERED IN CONNECTION WITH THIS PROSPECTUS ARE OF A SPECULATIVE NATURE.**

**THIS OFFER CLOSSES AT 5PM WST ON 17 AUGUST 2010**

**VALID ACCEPTANCES AND APPLICATIONS MUST BE RECEIVED BEFORE THAT TIME.**

**Please read the instructions in this Prospectus and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your entitlement under the Entitlement Offer.**

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## IMPORTANT INFORMATION

This Prospectus is dated 19 July 2010 and was lodged with the ASIC on that date. Neither ASIC nor ASX nor their respective officers take any responsibility for the contents of this Prospectus.

No Shares or Options will be issued on the basis of this Prospectus any later than 13 months after the date of this Prospectus (being the expiry date of this Prospectus).

A copy of this Prospectus is available for inspection at the registered office of the Company at Level 1, 30 Ord Street, West Perth, Western Australia, during normal business hours. The Company will provide a copy of this Prospectus to any person on request. The Company will also provide copies of other documents on request (see Section 4.6).

The Securities offered by this Prospectus should be considered speculative. Please refer to Section 3 for details relating to investment risks.

The Company has applied to ASX for official quotation of the Shares and Options offered by this Prospectus.

Revenues and expenditures disclosed in this Prospectus are recognised exclusive of the amount of goods and services tax, unless otherwise disclosed.

The Prospectus will be made available in electronic form. Persons having received a copy of this Prospectus in its electronic form may obtain an additional paper copy of this Prospectus (free of charge) from the Company's principal place of business by contacting the Company. The Entitlement Offer contemplated by this Prospectus is only available in electronic form to persons receiving an electronic version of this Prospectus within Australia.

Applications for Securities will only be accepted on an Application Form which is attached to, or provided by the Company with a copy of this Prospectus either in paper or electronic form. The Corporations Act prohibits any person from passing on to another person an Application Form unless it is accompanied by a complete and unaltered copy of this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Entitlement Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Entitlement Offer.

No action has been taken to permit the offer of Securities under this Prospectus in any jurisdiction other than Australia.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Application and, if the Application is successful, to administer the Applicant's security holding in the Company.

By submitting a form, each Applicant agrees that the Company may use the information provided by an Applicant on the form for the purposes set out herein and may disclose it for those purposes to the share registry, the company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisors, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your application.

An Applicant has a right to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

This document is important and should be read in its entirety before deciding to participate in the Entitlement Offer. This does not take into account the investment objectives, financial or taxation or particular needs of any Applicant. Before making any investment in the Company, each Applicant should consider whether such an investment is appropriate to his or her particular needs, and considering their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Applicant should consult his or her stockbroker, solicitor, accountant or other professional adviser without delay. Some of the risk factors that should be considered by potential investors are outlined in Section 3.

By returning an Application Form, you acknowledge that you have received and read this Prospectus and you have acted in accordance with the terms of the Entitlement Offer detailed in this Prospectus.

Definitions of certain terms used in this Prospectus are contained in Section 6. All references to currency are to Australian dollars and all references to time are to WST, unless otherwise indicated.

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## CORPORATE DIRECTORY

### Current Directors

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

### Company Secretary

Simon L Robertson

### Registered Office

Level 1  
30 Ord Street  
West Perth 6005  
Western Australia

### ASX Codes:

ENB  
ENBOB

Website: [www.eneabbagas.com.au](http://www.eneabbagas.com.au)

### Securities Exchange Limited

ASX Limited  
Home Branch - Perth

### Lawyers

Hardy Bowen  
Level 1  
28 Ord Street  
West Perth 6005  
Western Australia

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### PROPOSED TIMETABLE

Lodge Entitlement Prospectus	19 July 2010
Letter to Shareholders and existing Optionsholders advising details of Entitlement Offer	20 July 2010
Existing Shares quoted on an "ex" basis	21 July 2010
Record date for determining entitlements	27 July 2010
Prospectus and Entitlement and Acceptance Form despatched to shareholders	3 August 2010
Closing date*	17 August 2010
Shares and Options quoted on a deferred settlement basis	18 August 2010
Anticipated date for allotment and issue of Shares and Options	21 August 2010
Anticipated date for despatch of holding statements	22 August 2010

\* This timetable is indicative only and subject to change. Subject to the Listing Rules, the Directors reserve the right to vary these dates, including the Closing Date for the Entitlement Offer, without prior notice. Any extension of the Closing Date will have a consequential effect on the anticipated date for issue of the Securities.

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## 1. Details of the Entitlement Offer

### 1.1 The Entitlement Offer

The Entitlement Offer under this Prospectus consists of a non-renounceable entitlement offer to Eligible Shareholders of up to 13,053,835 Shares, each at an issue price of \$0.095, on the basis of 1 new Share for every 6 Shares held at 5pm (WST) on the Record Date together with 1 free attaching Option for each three new Shares applied for ("Entitlement Offer").

### 1.2 Purpose of the Entitlement Offer

Completion of the Entitlement Offer will result in an increase in cash at hand of up to approximately \$1.24 million (before payment of costs associated with the Entitlement Offer). The capital raised will be used to continue assessing the suitability of the Company's Sargon Tenements to conduct UCG operations under the joint venture with Cougar Energy Limited and development of its proposed gas-fired 168MW Centauri 1 Power Station project.

If fully subscribed funds raised are expected to be allocated as follows:

Activity	\$'000
Tenement exploration, drilling and hydrogeology	765
Environmental geological and assay studies	225
Costs of the Entitlement Offer	32
Working Capital <sup>(1)</sup>	218
Total	1,240

(1) Unallocated working capital be utilised by the Company to to pay for cost overruns in budgeted expenditures (if any), or in additional exploration and development expenditure and in the administration of the Company. Actual expenditure may differ significantly from the above estimates due to a number of factors including market conditions, the development of new opportunities, the results obtained from exploration and other factors (including the risk factors outlined in Section 3).

The Entitlement Offer is not underwritten.

### 1.3 Opening and Closing Dates

The Company will accept Application Forms until 5.00pm WST on 17 August 2010 or such other date as the Directors in their absolute discretion shall determine, subject to the requirements of the Listing Rules (**Closing Date**).

### 1.4 Acceptance of, or Application for, Shares under the Entitlement Offer

Your entitlement to participate in the Entitlement Offer will be determined on the Record Date.

The number of Shares to which you are entitled is shown on the accompanying Entitlement and Acceptance Form.

Should you wish to accept all of your entitlement to Shares under the Entitlement Offer, then applications for Shares must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

If you wish to apply for Shares in excess of your entitlement you may do so by completing the relevant sections of the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Any Shares applied for in excess of your entitlement will be made under the Shortfall Offer and will be issued at the complete discretion of the Directors. Please read the instructions carefully.

Should you wish to only take up part of your entitlement under the Entitlement Offer, then applications for Shares under this Prospectus must be made on the Entitlement and Acceptance Form which accompanies this Prospectus, in accordance with the instructions referred to in this Prospectus and on the Entitlement and Acceptance Form. Please read the instructions carefully.

Please complete the Entitlement and Acceptance Form by filling in the details in the spaces provided, including the number of Shares you wish to accept, or apply for in excess of your entitlement, and the Application Monies (calculated at \$0.095 per Share accepted).

If not paying by BPAY completed Application Forms must be accompanied by a cheque in Australian dollars, crossed "Not Negotiable" and made payable to **Eneabba Gas Limited – Trust Acc NOS 1** and lodged at any time after the issue of this Prospectus and on or before the Closing Date at the Company's share registry (by delivery or by post) at:

By delivery      Security Transfer Registrars Pty Ltd  
770 Canning Highway  
Applecross WA 6153

By post            Security Transfer Registrars Pty Ltd  
PO Box 535  
Applecross WA 6953

If paying via BPAY, Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through BPAY by the date and time mentioned above. If you elect to pay via BPAY, you must follow the instructions for BPAY set out in the Entitlement and Acceptance Form and you will not need to return the Entitlement and Acceptance Form.

## 1.5 Entitlements Not Taken Up

If you do not wish to accept any of your entitlement under the Entitlement Offer, you are not obliged to do anything.

The number of Shares you hold and the rights attached to those Shares will not be affected should you choose not to accept any of your entitlement.

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## 1.6 Enquiries Concerning Your Entitlement

If you have any queries concerning your entitlement please contact Security Transfer Registrars Pty Ltd of 770 Canning Highway, Applecross WA 6153 Telephone: +61 8 9315 2333.

## 1.7 Shortfall Offer

Any entitlements not taken up pursuant to the Entitlement Offer will form the shortfall offer which will be made on the same terms as the Entitlement Offer ("**Shortfall Offer**") and will be dealt with by the Directors at their absolute discretion.

The offer of any Shortfall Shares is a separate offer made pursuant to this Prospectus and will remain open for up to 3 months following the Closing Date.

You may apply for Shortfall Shares by completing the relevant section of your Entitlement and Acceptance form sent with this Prospectus or the Shortfall Application Form attached to this Prospectus.

Shortfall Application Forms must be completed in accordance with the instructions contained therein and must be accompanied by a cheque in Australian currency drawn on an Australian bank, made payable **Eneabba Gas Limited – Trust Acc NOS 1** and crossed "Not Negotiable" for the Application monies. Cash payments will not be accepted but returned and the Application deemed invalid. Receipts for Application Monies will not be issued.

Once a Shortfall Application Form is completed and returned it is irrevocable and may not be withdrawn or varied by the Applicant.

Application Monies are payable in full on Application.

Completed Shortfall Application Forms together with payment of the Application Monies in full must be lodged by the date specified by the Directors when sending the Shortfall Application Form as follows:

By delivery	Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153
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By post	Security Transfer Registrars Pty Ltd PO Box 535 Applecross WA 6953
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## 1.8 No Rights Trading

The rights to Shares under the Entitlement Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not dispose of your rights to subscribe for Shares to any other party. If you do not take up your entitlement to Shares under the Entitlement Offer by the Closing Date, the Entitlement Offer to you will lapse.

## 1.9 Risks of the Entitlement Offer

An investment in Securities of the Company should be regarded as speculative. In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company which are detailed in Section 3.

## **1.10 Application Monies Held on Trust**

All Application Monies received for the Shares will be held on trust in a bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus until the Shares are issued. All Application Monies will be returned (without interest) if the Shares are not issued.

## **1.11 ASX Quotation**

Application has been made to ASX for the official quotation of the Shares offered by this Prospectus. If permission is not granted by ASX for the official quotation of the Shares offered by this Prospectus within 3 months after the date of this Prospectus (or such period as the ASX allows), the Company will repay, as soon as practicable, without interest, all Application Monies received pursuant to this Prospectus.

Application may be made to ASX for the official quotation of the Options offered by this Prospectus. The Company making application for official quotation of the Options is subject to meeting the requirements of the ASX for official quotation, including the requirement to have 50 Optionholders with a marketable parcel. There can be no guarantee that the acceptances received by Eligible Shareholders will result in this condition being met. If official quotation is not able to be achieved the Options will be unlisted.

## **1.12 CHESS**

The Company participates in the Clearing House Electronic Subregister System, known as CHESS. ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532 (ASTC), a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and Securities Clearing House Business Rules.

Under CHESS, Applicants will not receive a certificate but will receive a statement of their holding of Securities.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number and the participant identification number of the sponsor. If you are registered on the Issuer Sponsored subregister, your statement will be despatched by the Share Registry and will contain the number of Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their Shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

## **1.13 Issue Date and Dispatch**

The Company intends to issue the Securities under the Entitlement Offer, within 10 Business Days of the Closing Date.

Security holder statements will be dispatched as soon as possible after the issue of the Securities.

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It is the responsibility of Applicants to determine their allocation prior to trading in the Securities. Applicants who sell Securities before they receive their holding statements do so at their own risk.

#### 1.14 Residents Outside Australia

Persons resident outside Australia should consult their professional advisors as to whether any governmental or other consents are required, or whether formalities need to be observed, to enable them to accept the Entitlement Offer of, or apply for, Securities pursuant to this Prospectus.

The offer of New Options under this Prospectus is permitted under the laws of Australia, New Zealand, and Singapore (New Zealand and Singapore being referred to collectively as the "Permitted Foreign Jurisdictions"). Accordingly, Shareholders resident in those countries may accept or apply for the Securities offered by this Prospectus.

Shareholders resident in Permitted Foreign Jurisdictions should also not that:

- (a) investing in the securities of an Australian company may carry with it a currency exchange risk;
- (b) they should satisfy themselves as to the taxation implications of accepting the offer of new options;
- (c) the financial reporting requirements applying in Permitted Foreign Jurisdictions and those applying to the Company may be different and the financial statements of the Company may not be compatible in all respects with financial statements prepared in accordance with the laws of Permitted Foreign Jurisdictions;
- (d) the offer and allotment of the Securities will be governed by this Prospectus and will be made in accordance with the laws of Australia, and the Company may not be subject in all respects to the laws of the Permitted Foreign Jurisdictions;
- (e) the contract arising out of the acceptance of an entitlement or the application for any Securities may not be enforceable in Courts of Permitted Foreign Jurisdictions;
- (f) this Prospectus has not been registered in any Permitted Foreign Jurisdiction under and in accordance with laws of that jurisdiction and may not contain all the information that a prospectus registered in that jurisdiction is required to contain; and
- (g) it is not a condition of the issue of the Securities that the Company be listed on the stock exchange of any Permitted Foreign Jurisdiction and, as such, Shareholders in Permitted Foreign Jurisdictions may not have access to information concerning the Company in the same way as persons have in relation to an issuer listed on a stock exchange in those jurisdictions.

With only a limited number of Shareholders outside Australia and the Permitted Foreign Jurisdictions, it is not reasonable for the Company to meet the requirements of the securities laws of countries other than Australia and the Permitted Foreign Jurisdictions and the offer of Securities has not been and will not be registered under the relevant securities laws of those jurisdictions. For that reason, no Entitlement or Acceptance Forms can be or are being sent to shareholders with registered addresses outside Australia and the Permitted Foreign Jurisdictions, and this prospectus is being sent to them for information purposes only.

## **1.15 Taxation Implications**

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Securities under this Prospectus.

## **1.16 Major Activities and Financial Information**

A summary of the major activities and financial information relating to the Company are set out in the following documents:

- (h) 31 March 2010 quarterly activities report lodged with ASX on 9 April 2010;
- (i) Half Year Report lodged with ASX on 12 February 2010;
- (j) 31 December 2009 quarterly activities report lodged with ASX on 15 January 2010;
- (k) 30 September 2009 quarterly activities report lodged with ASX on 9 October 2009; and
- (l) Full Year Statutory Accounts lodged with ASX on 25 August 2009.

The Company's continuous disclosure notices (i.e. ASX announcements) since the lodgement of the Full Year Statutory Accounts are listed in Section 4.6.

Copies of these documents are available free of charge from the Company. Directors strongly recommend that Applicants review these and all other announcements prior to deciding whether or not to participate in the Entitlement Offer.

## **1.17 Privacy**

The Company collects information about each Applicant provided on an Application Form for the purposes of processing the Acceptance and, if the Acceptance is successful, to administer the Applicant's security holding in the Company.

By submitting an Application Form, each Applicant agrees that the Company may use the information provided by an Applicant on the Application Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the share registry, the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and regulatory authorities.

If you do not provide the information required on the Application Form, the Company may not be able to accept or process your Acceptance.

An Applicant has an entitlement to gain access to the information that the Company holds about that person subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing to the Company's registered office.

## **1.18 Enquiries Concerning Prospectus**

Enquiries relating to this Prospectus should be directed to the Company Secretary by telephone on 08 9322 9188.

## 2. Effect of the Entitlement Offer

### 2.1 Capital Structure on Completion of the Entitlement Offer

	No. of Shares	No. of Listed Options(1) ENBOB	New Options <sup>(2)</sup>	No. of Unlisted Options <sup>(3)</sup>
Balance at the date of this Prospectus	78,323,013	16,096,915	-	1,200,000
To be issued under the Entitlement Offer	13,053,835	-	4,351,278	-
<b>Balance after the Entitlement Offer</b>	<b>91,376,848</b>	<b>16,096,915</b>	<b>4,351,278</b>	<b>1,200,000</b>

Note 1: 16,096,915 exercisable at \$0.20 each on or before 30 June 2012

Note 2: 4,351,278 exercisable at \$0.15 each on or before 30 June 2013

Note 3: 1,200,000 exercisable at \$0.25 each on or before 7 March 2011

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## 2.2 Pro forma Statement of Financial Position

	Unaudited 30 June 2010	Effect of the Entitlement Offer	Pro forma 30 June 2010
<b>Current Assets</b>			
Cash assets	864,662	1,208,546	2,073,208
Trade and other receivables	15,131	-	15,131
Prepayments	46,624	-	46,624
Inventories	1,142,719	-	1,142,719
<b>Total Current Assets</b>	<b>2,069,136</b>	<b>1,208,546</b>	<b>3,277,682</b>
<b>Non-Current Assets</b>			
Deposits	25,000	-	25,000
Exploration and evaluation assets	3,200,015	-	3,200,015
Prepayments	125,000	-	125,000
Property plant & equipment	1,691,258	-	1,691,258
<b>Total Non-Current Assets</b>	<b>5,041,273</b>	<b>-</b>	<b>5,041,273</b>
<b>Total Assets</b>	<b>7,110,409</b>	<b>1,208,546</b>	<b>8,318,955</b>
<b>Current Liabilities</b>			
Payables	74,110	-	74,110
Unearned revenue – lease income	517	-	517
Provisions	42,737	-	42,737
<b>Total Current Liabilities</b>	<b>117,364</b>	<b>-</b>	<b>117,364</b>
<b>Total Liabilities</b>	<b>117,364</b>	<b>-</b>	<b>117,364</b>
<b>Net Assets</b>	<b>6,993,045</b>	<b>1,208,546</b>	<b>8,201,591</b>
<b>Equity</b>			
Contributed equity	10,451,196	1,208,546	11,659,742
Option reserve	1,024,840	-	1,024,840
Accumulated losses	(4,482,991)	-	(4,482,991)
<b>Total Equity</b>	<b>6,993,045</b>	<b>1,208,546</b>	<b>8,201,591</b>

### Basis of Preparation

The above pro forma statement of financial position has been prepared in accordance with the draft ASIC Guide to Disclosing Pro Forma Financial Information (issued July 2005).

The pro forma balance sheets have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

The pro forma statement of financial position is based on the unaudited financial position as at 30 June 2010 and has then been adjusted to reflect the following material transactions:

- (a) The issue of 13,053,835 Shares at an issue price of \$0.095 each together with 1 attaching Option for every 3 Shares subscribed for to raise \$1,240,114 less estimated costs of the Entitlement Offer of \$31,568 to raise \$1,208,546 after costs.

## 2.3 Market Price of Securities

The highest and lowest market sale prices of the Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.23 per Share on 19 April 2010

Lowest: \$0.095 per Share on 30 June 2010

The latest available market sale price of the Shares on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.105 per listed Option on 19 July 2010.

The highest and lowest market sale prices of the listed Options on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.06 per listed Option on 24 June 2010.

Lowest: \$0.03 per listed Option on 11 June 2010.

The latest available market sale price of the listed Options on ASX prior to the date of lodgement of this Prospectus with the ASIC was \$0.04 per listed Option on 12 July 2010.

## 2.4 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

## 2.5 Contingent Liabilities

The Directors are not aware of any material contingent liability at the date of this prospectus.

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### 3. Risk Factors

**An investment in Securities offered by this Prospectus should be regarded as speculative.** In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company.

The Directors consider that the following summary, which is not exhaustive, represents some of the specific risk factors which prospective investors need to be aware of in evaluating the Company's business and the risks of increasing your investment in the Company. Prospective investors should carefully consider the following factors in addition to the other information presented in the Prospectus.

The principal risks include, but are not limited to, the following:

#### 3.1 Risks specific to the Company

(a) Development Capital and Future Capital Requirements

Whilst the Company is in a holding position with respect to development of Centauri 1 power station, it continues to incur expenditure on corporate and administrative overhead costs. Similarly, exploration will reduce the cash reserves of the Company, which may not be replaced. The Company would then be dependent on seeking development capital elsewhere, through equity, debt or joint venture financing, to support long term exploration, evaluation and development of its projects.

The Company's growth through expansion of its current business will require substantial expenditures. The Company's cash reserves together with funds raised from the Entitlement Offer will not be sufficient to successfully achieve all the objectives of the Company's overall business strategy and it will be required to raise additional capital.

If the Company is unable to use debt or equity to fund expansion after the substantial exhaustion of the net proceeds of the Entitlement Offer, existing working capital and funds generated from operations, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing if available, may involve restrictive covenants, which limit the Company's operations and business strategy. The Company's failure to raise capital if and when needed could delay or suspend the Company's business strategy and could have a material adverse affect on the Company's activities.

(b) Timing of gas sale

The Company currently holds gas inventory amounting to 187.8TJ which the Company intends to dispose of. The timing of the sale of this inventory and the price for which it can be sold is dependent on a number of factors including weather conditions and demand for power generation.

The timing and amount of the Company's cashflows from the sale of its gas inventory may be affected by these factors, which are beyond the control of the Company and its Directors.

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There can be no assurance that the Company will be able to sell its inventory in the timeframe expected. The timing and ultimate price at which the Company sells the gas will affect the amount of cash flow received from the sale which may impact negatively on the Company's financial position.

(c) Business Risks for Power Provision

The establishment, viability and profitability of the Company as a power provider will be dependent on a number of factors, including but not limited to, the following:

- confirmation of definite take or pay contracts for electricity supply with iron ore producers and other customers in the Mid West region of Western Australia;
- existing and new power providers in competition with the Company;
- the proposed onset of a carbon scheme in 2010 and the outcome with regards to gas fired generators' competitive advantage when compared to dirtier coal fired generators;
- environmental management issues with which the Company may be required to comply from time to time;
- unforeseen major failures, delays, or breakdowns in the development and construction of the proposed 168 MW Centauri 1 power station, engagement with the SWIS network and the procurement of gas to drive the turbines; and
- shortages or increases in the cost of consumables, spare parts, plant and equipment and labour.

(d) Exploration and Mining Risks

The Company has been assessing its tenement holding for underground coal gasification potential.

The Company's activities in this regard are at an early stage and there are numerous factors that impact on commercial success or otherwise. These factors include but are not limited to the following:

- approval of drill programs;
- commodity prices;
- risks inherent in exploration and mining including, among other things, successful exploration and identification of reserves, satisfactory performance of mining operations and competent management;
- risks associated with obtaining grant of any mining tenements which are applications or renewal of tenements upon expiry of their current term;
- the risk of material adverse changes in the government policies or legislation affecting the level of mining and exploration activities;
- environmental management issues with which the Company may be required to comply from time to time;
- poor weather conditions over a prolonged period which might adversely affect exploration activities and the timing of earning revenues;

- unforeseen major failures, breakdowns or repairs required to key items of plant and equipment or infrastructure resulting in significant delays, notwithstanding regular programs of repair, maintenance and upkeep; and
- shortages or increases in the costs of consumables, spare parts, plant and equipment and labour.

(e) Operational and Technical Risk

The successful implementation of the Company's coal business and objectives could be adversely affected by the following factors:

- insufficient coal reserves;
- inappropriate coal seam structures;
- inconsistent gas quality or inadequate gasification characteristics;
- variable gas quantity;
- interruption in gas supply due to underground processing problems;
- location of water aquifers or other sensitive environmental structures;
- subsidence of surrounding grounds;
- breach of a supply contract due to inconsistent product production; or
- inadequate ability to deal with carbon dioxide or other emissions.

If any of these issues were to arise this could have a detrimental effect on the Company's operations.

In addition, there is a risk that the syngas produced by UCG may not be able to be successfully used by customers. If this occurs, the Company may require additional capital to purchase further plant and equipment to clean up the syngas in order to allow it to be used by customers. There is no guarantee that such additional expenditure will achieve the intended result.

UCG industry operating risks include fire, explosions and breakdowns of plant machinery and equipment. The occurrence of any of these risks could result in legal proceedings being instituted against the Company and substantial losses due to injury or loss of life, damage to or destruction of property, natural resources, regulatory investigation and penalties or suspension of operations. In addition, damage occurring to third parties may give rise to claims by third parties.

(f) Technology and Intellectual Property Risks

Any development by the Company will likely involve the use of the intellectual property and technology of third party technology providers. There is no guarantee that the Company will be able to source such technology and intellectual property on favourable terms or at all.

To date, there has been limited commercial scale UCG development around the world and there is also a risk that the Company may not be able to utilise existing technology for the production of fuels using UCG syngas and the Company may need to enter into agreements with technology providers in order to obtain appropriate technology.

In addition, the ability of technology providers and intellectual property owners to protect their intellectual property rights involves complex legal, scientific and factual questions and uncertainties. Intellectual property rights owned by those entities may be challenged by their competitors or other third parties. The success of an action may delay or prevent the Company from undertaking its business plan.

(g) Title, Tenure and Access - General

Generally mining tenements and licences which the Company owns or may acquire either by application, sale and purchase or farm-in are regulated by the applicable mining legislation. There is no guarantee that applications will be granted as applied for (although the Company has no reason to believe that the tenements or licenses will not be granted in due course). Various conditions may also be imposed as a condition of grant. In addition a relevant minister or government agency may need to consent to any transfer of tenement to the Company.

Renewal of titles or licences is made by way of application to the relevant department. There is no guarantee that a renewal will be automatically granted other than in accordance with the applicable mining legislation. In addition, the relevant minister or government agency may impose conditions on any renewal, including relinquishment of ground.

(h) Foreign Exchange Risk

Exchange rates between currencies are affected by numerous factors beyond the control of the Company. These factors include expectations regarding inflation, interest rates demand for, and supply of commodities as well as general global economic conditions.

In the event that the Company achieves success in the development of the 168MW syngas, gas-fired Centauri 1 power station on Company-owned land 8km east of Dongara in the Mid West of Western Australia a proportion of the development costs will be in denominated in United States dollars.

The exchange rate between Australian dollars and United States dollars has been increasingly volatile. Adverse movements in the exchange rate between Australian dollars and United States may materially increase the cost of development of the Centauri 1 power station and have a material adverse effect on the Company's business, financial condition, results of operations and cashflows.

(i) Economic Factors

Factors such as inflation, interest rates, supply and demand and industrial disruption have an impact on operating costs, commodity prices and stock market processes. The Company's future possible revenues and securities prices can be affected by these factors, which are beyond the control of the Company and its Directors.

(j) General Environmental Risks

Mining and power generation are industries which have become subject to increasing environmental responsibility and liability. The potential liability is an ever-present risk. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining or other activities for which it has not been responsible.

(k) Resource and Reserve Estimates

Resource and Reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that are valid when

made may change significantly when new information becomes available through drilling, sampling and similar examinations.

In addition, resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could adversely affect the Company's operations.

(l) Reliance on Key Personnel

The Company is reliant on its management. The loss of one or more of these individuals could adversely affect the Company.

In addition, the Company's ability to manage growth effectively will require it to continue to implement and improve its management systems and to recruit and train new employees and consultants. Although the Company expects to be able to do so in the future, there can be no assurance that the Company will be able to attract and retain skilled and experienced personnel and consultants.

(m) Joint Venture Parties, Contractors and Agents

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture to which the Company is, or may become a party; or insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

(n) Exploration, Development, Mining and Processing Risks

Mineral exploration, project development and mining by their nature contain elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- (i) The discovery and/or acquisition of economically recoverable ore resources;
- (ii) Successful conclusions to bankable feasibility studies;
- (iii) Access to adequate capital for project development;
- (iv) Design and construction of efficient mining and processing facilities within capital expenditure budgets;
- (v) Securing and maintaining title to tenements;
- (vi) Obtaining consents and approvals necessary for the conduct of exploration and mining;
- (vii) Access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants; and
- (viii) Adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from development of tenements depends on the successful establishment of mining operations. Factors including costs,

actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

(o) Insurance

The Company has a policy of obtaining insurance for environmental and other operational risks where appropriate, taking into consideration the availability of cover and premium costs and where required under its contractual commitments. There can be no assurance, however, that the Company will be able to obtain or maintain such insurance coverage at reasonable rates (or at all), or that any coverage it has or obtains will be adequate and available to cover any such claims

(p) Securityholders' Margin Lending arrangements

Securityholders may, from time to time, enter into margin lending arrangements for the purchase of Securities in the Company on terms and conditions not known to the Company.

The Directors are unable to predict the risk of financial failure or default by a Securityholder who has entered into such an arrangement or insolvency or other managerial failure by any party who may have provided such an arrangement to the Securityholder. Such an event may lead to parcels of Securities being made available for sale which may impact negatively on the price of the Company's Securities.

### 3.2 General Investment Risks

(a) Securities Investment

Applicants should be aware that there are risks associated with any securities investment. The prices at which the Company's Securities trade may be above or below the issue price, and may fluctuate in response to a number of factors such as:

- (i) General economic outlook;
- (ii) Movements in, or outlook in, interest rates and inflation rates;
- (iii) Currency fluctuations;
- (iv) Commodity prices;
- (v) Changes in investor sentiment towards particular market sectors; and
- (vi) The demand for, and supply of, capital.

Furthermore, the stock market, and in particular the market for mining and exploration companies, has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These factors may materially affect the market price of the Securities, regardless of the Company's operational performance.

(b) General Economic Climate and Share Market Conditions

Factors such as global credit risks, inflation, currency fluctuation, interest rates and supply and demand have an impact on operating costs, commodity prices and stock market prices. The Company's future revenues and the market

