

WASABI ENERGY LIMITED
ABN 24 000 090 997

**INFORMATION MEMORANDUM –
NOTICE OF GENERAL MEETING
EXPLANATORY STATEMENT
INDEPENDENT EXPERTS REPORT
PROXY FORM**

This Information Memorandum is an important document and requires your immediate attention. Please read it carefully. If you are in doubt as to what you should do, please consult your investment or other professional adviser.

**For a General Meeting to be held on
Wednesday, 28 September 2005
at
10:00am (WST)
at
The Celtic Club
48 Ord Street
West Perth, Western Australia**

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IMPORTANT INFORMATION

Role of ASX

A copy of this Memorandum has been lodged with ASX and ASIC. Neither ASX, the ASIC, nor any of its officers take any responsibility for the contents of the Memorandum.

Defined terms

Certain capitalised terms used in the Memorandum are defined in the Glossary at the end of the Memorandum.

Enquiries

Shareholders are invited to contact the Company on 9385 0430 if they have any queries in respect of the matters set out in this Memorandum.

LETTER TO SHAREHOLDERS

Dear Shareholder,

Wasabi has worked hard over the last few years to realise value from its investment in Exergy Inc (**Exergy**) a Californian corporation in which the Company has an approximate shareholding of 46%. Whilst the investment was written down in our accounts due to the delay and uncertainty in a suitable outcome, we continued to have faith that both Exergy and its patented Kalina Cycle technology had real value.

An offer has been made to Exergy shareholders by AMP Resources LLC (AMP) to acquire all of the stock in Exergy for US\$2 million. As part of the Transaction, AMP will also acquire the outstanding promissory notes issued by Exergy at the original cost plus accrued interest at a rate of 12% p.a.

In the proposed Transaction (further details of which are outlined in the Explanatory Memorandum), Wasabi is to receive the full value of all of the money it lent to Exergy in Australian dollars plus interest. This is significant because the US dollar has weakened considerably since Wasabi first made its investment in Exergy. Wasabi is currently owed A\$1.04 million (excluding interest) by Exergy, as the holder of 4 promissory notes, two of which were purchased from QIX and Unotec in June 2005.

As was announced by the Company in June, Wasabi now owns approximately 46% of Exergy after exercising its option to purchase the shares of QIX and Unotec, together with their promissory notes. Under the proposed Transaction, AMP (or its nominee) will acquire the debt owed by Exergy to the Company and Wasabi will also receive approximately US\$920,000 for its shares in Exergy.

The Directors believe that the proposed Transaction represents an excellent outcome for Wasabi, which has supported Exergy over the course of the last 3 ½ years to help meet its basic obligations.

Whilst it is possible that Exergy may receive some royalties in the future, it is uncertain how much money will be received. Further to this, Exergy would require considerable funds in order to satisfy all of its financial obligations.

Wasabi also intends to enter into a joint venture for the purposes of utilising the Kalina Cycle technology in China (including Taiwan), India, Malaysia, Philippines and South Korea. It is proposed that Wasabi will have an initial 75% interest in the joint venture with an affiliate of AMP will hold a 25% interest. It is intended that Wasabi will invest A\$1 million in the first 2 years of the joint venture to develop energy generation projects in the countries named above. The joint venture will have the advantage of being aligned with AMP who has the technical expertise and economic modelling skills to deliver power plants to customers such as owners of geothermal fields and industrial facilities which produce industrial waste heat. Further details of the proposed joint venture are set out in the Explanatory Memorandum.

Wasabi will effectively be maintaining an interest in renewable energy business by owning a 75% interest in the joint venture in exchange for its original 46% holding in Exergy.

In summary, the Directors believe that the disposal of its interest in Exergy is in the Company's best interests because:

1. AMP (or its nominee) will acquire the debt of A\$1.04 million plus accrued interest at a rate of 12% per annum owed by Exergy to the Company;
2. the Company will receive a cash payment of approximately US\$920,000 for its shares in Exergy; and
3. it will provide the Company with an opportunity to enter into a joint venture with the entity that holds a worldwide licence to use the Kalina Cycle technology and has the technical expertise to execute the building of Kalina power plants.

Lillyburt Coal Project Joint Venture

Wasabi has entered into a Joint Venture Agreement with Western Canadian Coal Corp. ("WCC") to earn a 50% interest in the Lillyburt Coal Property located in southeast British Columbia, Canada. Wasabi can earn a 50% interest in the Lillyburt Project by expending C\$2,500,000 by December 2008. The Directors of Wasabi have identified this project as an excellent opportunity to progress the Company's strategy of diversifying its interests in the Energy sector. This agreement requires shareholder approval as both WCC and Wasabi have Cambrian Mining PLC as a significant shareholder.

Appointment of Directors

I am pleased to welcome Mr Robert (Bob) Reynolds and Mr Robert Vallender to the Board of Wasabi. Their appointment broadens and strengthens the skills and experience of the Board that are available to assist the Company in achieving its strategic goals.

Wasabi will continue to evaluate other energy related transactions that will complete its transition into a diversified Energy company with a spread of risk and opportunity through a range of Energy interests.

I strongly recommend that you carefully read the Explanatory Statement in relation to the proposed transactions involved in the Shareholder resolutions.

Yours sincerely

TIMOTHY WISE
Director

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

A general meeting of the shareholders of Wasabi Energy Limited will be held at:

**The Celtic Club
48 Ord Street
West Perth, Western Australia**

**Commencing
10:00am (WST)
on Wednesday, 28 September 2005**

How to Vote

The business of the meeting affects your shareholding and your vote is important. Please take action by voting in person (or authorised representative) or by proxy.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10:00am WST.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Memorandum as soon as possible and either:

- send the proxy form by facsimile to the Company on facsimile number (08) 9385 0430 (International: + 61 (08) 9385 9430); or
- deliver the proxy form to the Company's registered office at 139 Victoria Street, Mosman Park, Australia 6012,

so that it is received not later than 10:00am (WST) on 26 September 2005. Proxy forms received later than this time will be invalid.

Your proxy form is enclosed at the end of this Memorandum.

WASABI ENERGY LIMITED
ABN 24 000 090 997

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of shareholders of Wasabi Energy Limited (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 10:00am (WST) on Wednesday, 28 September 2005.

AGENDA

SPECIAL BUSINESS

Resolution 1 – Disposal of Main Undertaking

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 11.2 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to dispose of its interest in Exergy Inc in accordance with the terms set out in the Explanatory Statement accompanying this Notice.”

Short Explanation: The Listing Rules require the Company to seek Shareholder approval where it proposes to dispose of its main undertaking. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the Resolution is passed, or any associate of those persons.

Resolution 2 – Acquisition of a Substantial Asset from Western Canadian Coal Corp

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

“That, Shareholders approve:

- (a) for the purposes of Section 208 of the Corporations Act, the Company's entry into a joint venture agreement with Western Canadian Coal Corp (a related party of the Company) whereby the Company may expend up to C\$2,500,000 on or before 31 December 2008 in consideration for the acquisition set out in paragraph (b) below; and*
- (b) for the purposes of Listing Rule 10.1 of the ASX Listing Rules, acquisition of up to a 50% interest in the Lillyburt Coal project in British Columbia from Western Canadian Coal Corp,*

on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this resolution by Cambrian Mining Limited and any of its associates.

Short Explanation: Under Chapter 2E of the Corporations Act a related party must not be given a financial benefit without prior shareholder approval or unless the benefit falls within the exceptions in Part 2E.1 of the Corporations Act. ASX LR 10.1 also requires that a substantial asset cannot be acquired from, or disposed to, a related party without the approval of Shareholders. The Company has, subject to shareholder approval, entered into a joint venture agreement with Western Canadian Coal Corp. ("WCC") to earn up to a 50% interest in the Lillyburt Coal Property. The 50% interest can be earned by spending C\$2.5 million on the property before 31 December 2008. Cambrian Mining Plc is a substantial shareholder of both Wasabi and Western Canadian Coal Corp. Consequently, under the Listing Rules and Corporations Act, Wasabi and Western Canadian Coal Corp. are related parties.

Expert's Report: Shareholders should carefully consider the independent expert's report prepared by Stanton Partners Corporate Pty Ltd in accordance with LR 10.1 of the ASX Listing Rules which comments on the fairness and reasonableness of the transaction to the non-associated Shareholders of the Company.

Resolution 3 – Election of Mr Robert Reynolds

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for all purposes, Mr Robert Reynolds, having been appointed as an addition to the Board on 10 August 2005 and being eligible, is re-elected as a director of the Company."

Resolution 4 – Election of Mr Robert Vallender

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for all purposes, Mr Robert Vallender, having been appointed as an addition to the Board on 10 August 2005 and being eligible, is re-elected as a director of the Company."

**DATED THIS 23rd DAY OF AUGUST 2005
BY ORDER OF THE BOARD**

**TIMOTHY WISE
DIRECTOR**

NOTES:

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. For the purposes of the Corporations Act, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is 10:00am (WST) on 26 September 2005.

EXPLANATORY STATEMENT

This Explanatory Statement and all attachments are important documents. They should be read carefully.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for Shareholders in connection with the General Meeting of the Company to be held on 26 September 2005.

1.1 Overview of the Exergy Transaction

Exergy

Exergy Inc (**Exergy**) is a Californian corporation in which the Company holds an approximate 46% shareholding. Since inception, Exergy has been involved in the development and advancement of the Kalina Cycle technology and its application to electric power plants.

However, due to a lack of resources, Exergy's progress has been limited. Further to this, licensees have not been able to construct and operate electric power plants utilising the Kalina Cycle technology as rapidly as projected.

Exergy also currently owes in excess of US\$2.7 million to various creditors and promissory note holders. Exergy's board of directors has explored a number of possibilities to raise funding to repay its secured creditors, including the release of a draft prospectus for raising capital and numerous meetings with financial institutions, stockbrokers and corporations. In all instances, the various initiatives were unsuccessful, largely due to Exergy's high level of debt.

Proposed Transaction

After lengthy arms-length negotiations with AMP Resources, LLC (**AMP**), a Delaware limited liability company, Exergy and AMP agreed to proceed to merge the activities of the two companies (**Transaction**).

The proposed Transaction will involve AMP acquiring Exergy and all of its assets and liabilities, including debts owed by Exergy to the Company. Exergy shareholders will receive cash payments for their shares totalling US\$2 million (minus any transaction costs up to US\$5,000 and legal costs over US\$30,000 incurred by Exergy).

The Transaction will result in the Company disposing of its 46% interest in Exergy. This interest is currently the sole major asset of the Company.

Proposed Joint Venture with Recurrent

If the Transaction proceeds, the Company also intends to incorporate a new Western Australian limited company as a corporate vehicle for a joint venture between the Company and Recurrent Resources LLC (**Recurrent**) (an affiliate of AMP). It is proposed that the Company will have an initial 75% interest in the joint venture, with Recurrent holding a 25% interest.

Recurrent is a Delaware limited liability company which holds a licence to use Exergy's Kalina Cycle Technology (**KCT**). The joint venture company will be established for the purposes of utilising the KCT and the development of geothermal power production, waste heat recovery projects and other applications for KCT in China (including Taiwan), India, the Philippines, Malaysia and South Korea (**Selected Countries**).

In consideration for the Company agreeing to provide up to A\$1,000,000 in working capital to the joint venture company, Recurrent has agreed to grant a non-exclusive licence to the joint venture company to use the KCT in the Selected Countries. Recurrent has also agreed to provide, at its standard fee rates, power plant design and other engineering services. The Company will be appointed as manager of the activities of the joint venture company in consideration for a fee equal to 10% of the expenditures incurred by the joint venture company from time to time.

The Company will also be committed to expending at least A\$500,000 by way of contribution towards the working capital of the joint venture company. The contribution of the second A\$500,000 to make up the A\$1,000,000 referred to above, will be at the option of the Company. If the Company does not elect, and proceed, to make the additional working capital contribution by not later than 24 months after the date of the grant by Recurrent of the licence rights to the joint venture company, Recurrent will be entitled to terminate that licence and the joint venture will cease.

2. BUSINESS OF THE MEETING

2.1 Resolution 1 – Disposal of Main Undertaking

As set out in this Explanatory Statement, the Transaction will result in the Company disposing of its 46% interest in Exergy Inc. As this interest is currently the Company's major asset, the Transaction will result in the Company disposing of its main undertaking of an investment in Exergy. If the Transaction proceeds, the Company intends to enter into a joint venture with Recurrent for the purposes of developing power generation projects in the Selected Countries.

ASX Listing Rule 11.2 requires that a disposal of the main undertaking of a company be approved by Shareholders. This Resolution seeks that approval.

Please refer to the information set out in this Explanatory Statement for further details with respect to the Transaction and its effect on the future potential earnings of the Company.

The Directors are of the opinion that the proposed Transaction represents a significant opportunity for Shareholders. Please ensure that you read this Memorandum in full before making any decision on how to vote on the Resolution.

(a) **Details of the Transaction and Operations of the Company**

The following details about the Transaction are set out for the purposes of ASX Guidance Note 13:

- (i) on 15 April 2005, AMP, Exergy Merger Sub, LLC (**Exergy Merger Sub**) (a Delaware limited liability company and wholly owned subsidiary of AMP) and Exergy entered into an Agreement and Plan of Merger which was amended by an amendment agreement dated 15 July 2005 (**Agreement**). The Agreement contains the following conditions precedent to the proposed merger:
- (A) the approval of the proposed merger by a majority of the holders of each class of Exergy's securities;
 - (B) Exergy obtaining any required consents under any leases or material contracts;
 - (C) Exergy filing an amendment to its articles of incorporation as attached to the Agreement;
 - (D) the conversion of each share of Company Preferred Stock (as defined in the Agreement) into a share of Company Common Stock (as defined in the Agreement) on a one for one basis;
 - (E) each of the representations and warranties of Exergy being true and correct;
 - (F) Exergy performing all covenants, obligations and conditions of the Agreement;
 - (G) there being no occurrence of any circumstance resulting in a material adverse effect on Exergy;
 - (H) Exergy providing the required notices to all holders of warrants or options to purchase shares in Exergy;
 - (I) Exergy terminating any outstanding warrants and options as of the Effective Time (as defined in the Agreement);
 - (J) Exergy obtaining executed release and indemnity agreements from holders of 100% of Company Preferred Stock and 50% of Company Common Stock; and
 - (K) the Company voting 100% of its Exergy shares in favour of the proposed merger.

If the conditions precedent are not satisfied or waived, then the Transaction will not proceed.

The Agreement also provides that the directors and officers of Exergy Merger Sub will become the directors and officers of Exergy immediately prior to the Effective Time (as defined in the Agreement);

- (ii) the Transaction will result in the disposal of the Company's 46% shareholding in Exergy. This is currently the major asset of the Company;
- (iii) the Company's investment in Exergy is by way of promissory notes and common and preferred stock. The promissory notes of US\$332,924 acquired during 2002 and the accrued interest have been fully provided for in the Company's accounts. The Company was also issued with stock in Exergy representing approximately 11% of that company. The value of this stock has also been fully provided for. During June 2005 the Company acquired further promissory notes with a face value of US\$320,000 and stock that increased its shareholding to approximately 46% of Exergy. This further investment is carried in the accounts at cost of US\$400,000. The Company has not received any return on its investment in Exergy to date. The promissory notes were due for repayment in 2002;
- (iv) Exergy shareholders will receive cash payments for Exergy shares totalling US\$2 million (minus any transaction costs up to US\$5,000 and legal costs over US\$30,000 incurred by Exergy). As the holder of 46% of Exergy stock, the Company will be entitled to approximately US\$920,000, not taking into account any transaction and legal costs that may be incurred by Exergy in respect of the Transaction;
- (v) the Directors believe that the disposal of its interest in Exergy is in the Company's best interests because:
 - (A) Exergy's progress has been limited due to its high level of debt and lack of resources;
 - (B) licensees have not been able to construct and operate electric power plants utilising the KCT as rapidly as projected;
 - (C) Exergy has experienced difficulty in raising additional funding and will need to look for other means of financial support if the Transaction does not proceed;
 - (D) the total revenue received by Exergy over the last 2 years is approximately \$35,000. Expected royalty income has not eventuated; and
 - (E) AMP (or its nominee) will acquire the debt of US\$652,924 plus accrued interest at 12% p.a. owed by Exergy to the Company. The Company will be paid the value of its promissory notes acquired during 2002 at the Australian dollar cost of \$628,687. The promissory notes acquired during June 2005 will be repaid at the Australian dollar cost of \$415,584. The value of the accrued interest on the promissory notes at 12% p.a. will also be paid up until the Effective Time (as defined in the Agreement) of the Transaction; and

- (vi) the Company will have an initial 75% interest in an incorporated joint venture by investing \$1,000,000 over 24 months. The joint venture company will be established for the purposes of utilising the KCT and the development of geothermal power production, waste heat recovery projects and other applications in the Selected Countries.

(b) **Pro-Forma Statement of Financial Position**

Set out in Schedule 1 is an unaudited statement of financial position of the Company as at 31 March 2005, together with the unaudited pro-forma statement of financial position following completion of the Transaction. These statements of financial position assume the acquisition of the further promissory notes and stock that was completed during June 2005.

(c) **Advantages of the Transaction**

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

- (i) in the past, Exergy's strategic and financial initiatives have been unsuccessful due to:
 - (A) Exergy's high level of debt. Exergy currently owes approximately US\$2.8 million to various creditors, of which the sum of US\$652,924 is owed to the Company as the holder of 4 promissory notes;
 - (B) the long lead time from inception of Exergy's projects to the receipt of royalty income;
 - (C) the worldwide licensing rights for the KCT being held by affiliates of AMP which prevent the issue of further licences by Exergy; and
 - (D) the impending expiration of some of Exergy's patents.
- (ii) the Transaction should enable Exergy to meet its outstanding obligations to creditors. Further, the Company will receive approximately US\$920,000 for its investment in Exergy. If the Transaction does not proceed, there can be no certainty as to any return on the Company's investment in Exergy; and
- (iii) AMP (or its nominee) will acquire the debt owed by Exergy to the Company.

(d) **Disadvantages of the Transaction**

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

- (i) the Company will no longer have an exposure to possible future net royalties from the utilisation of the technology by licensees; and
- (ii) the Company cannot guarantee that a better offer for its investment in Exergy would not be forthcoming in the future.

(e) **Plans for the Company if the Transaction is not approved**

If the Shareholders of the Company do not give their approval under Resolution 1, the Company will not give its written consent to the Transaction. Under the Agreement, it is a condition of the Transaction that the Company votes 100% of its Exergy shares in favour of the proposed merger.

If the Transaction is not approved by Shareholders, the Transaction will not proceed. In these circumstances, the Company will continue to support Exergy in exploring strategic and financial alternatives to meet its outstanding obligations to its creditors, including the possible provision of further loans to ensure Exergy is not exposed to further financial difficulty.

(f) **Directors' Recommendation**

The Directors do not have any material personal interest in the outcome of the Resolution other than as set out below, and as a result of the interest arising solely in their capacity as Shareholders of the Company. The Directors' security holdings in the Company are set out in the following table:

Director	Shares	Options (listed)	Options (unlisted)
Dr Frank Reid	Nil	Nil	Nil
Mr Tim Wise	14,510,929	8,170,310	10,000,000
Mr Wayne Blakeney	6,321,204	2,107,065	Nil
Mr Robert Reynolds	600,000	Nil	Nil
Mr Robert Vallender	Nil	Nil	Nil

Each of the Directors intends to vote their Shares in favour of the Resolution.

Based on the information available, including that contained in this Explanatory Memorandum and the attached Solicitation Statement to Exergy shareholders, all of the Directors consider that the proposed Transaction is in the best interests of the Company and unanimously recommend that Shareholders vote in favour of the Resolutions. The Directors have approved the proposal to put the Resolutions to Shareholders and separately approved the information contained in this Memorandum.

2.2 Resolution 2 – Acquisition of Substantial Asset from Western Canadian Coal Corp

Western Canadian Coal Corp (**WCC**) is a company incorporated under the laws of British Columbia.

The Company wishes to earn and acquire an interest in certain coal licences owned by WCC and to participate with WCC in a joint venture for the exploration and mining of coal with respect to such licences.

Cambrian Mining Plc (**Cambrian**), a company registered in England with company number 0409 0083, is a major shareholder of the Company. Cambrian

currently holds 81,511,422 Shares in the Company representing a voting power of 21.6%. Cambrian is also a major shareholder of WCC, holding approximately 30.5 million shares in WCC which represents a voting power of 38.9%.

Accordingly, the Company seeks Shareholder approval for entry into a joint venture agreement between the Company and WCC (**Joint Venture Agreement**) whereby the Company may earn a 50% interest in the coal rights on the Lillyburt Coal property in British Columbia.

Shareholders are also referred to the independent expert's report prepared by Stanton Partners Corporate Pty Ltd and the Preliminary Assessment of the Lillyburt Coal Property Southeast British Columbia prepared by Morris Geological Co Ltd and G.S. Reeves Associates International Ltd which accompanies this Explanatory Statement.

(a) Terms of the Joint Venture Agreement

The Joint Venture Agreement contains the following terms and conditions:

- (i) the term of the Joint Venture Agreement is 20 years from the date of execution;
- (ii) WCC will contribute its coal licences to the joint venture;
- (iii) the Company agrees to pay for expenditure related to the joint venture up to the amount of C\$2,500,00 before 31 December 2008 to earn a 50% interest;
- (iv) the Company will earn a 5% interest in the joint venture for each C\$250,000 expended up to the amount of \$2,500,000;
- (v) WCC will be the manager of the joint venture operations.

The Company can terminate the Joint Venture Agreement at any time before the expenditure of the C\$2,500,000.

(b) Chapter 2E of the Corporations Act

A summary of Chapter 2E is contained in Section 1.3(a).

Related Party

The following persons are deemed to be "related parties" of a public company for the purposes of the Corporations Act:

- (i) directors of the public company;
- (ii) an entity that is controlled by directors of the public company;
- (iii) an entity that controls a public company; and
- (iv) an entity that was a related party of a public company at any time within the previous 6 months.

The Company and WCC propose to enter into a joint venture agreement whereby the Company will acquire up to a 50% interest in coal rights owned by WCC by spending C\$2,500,000 before 31 December 2008.

Financial Benefit

The term "financial benefit" is given a wide interpretation for the purposes of Chapter 2E of the Corporation Act and includes:

- (i) giving a financial benefit indirectly, for example, through one or more interposed entities;
- (ii) giving a financial benefit by making an informal agreement, oral agreement or an agreement that has no binding force; and
- (iii) giving a financial benefit that does not involve paying money (for example, by conferring a financial advantage).

The expenditure by the Company of C\$2,500,000 before 31 December 2008 to acquire a 50% interest in coal rights owned by WCC is likely to constitute a financial benefit being given by the Company to a related party (albeit an indirect one) for the purposes of the Corporations Act.

The following information is provided to satisfy the requirements of Section 219 of the Corporations Act:

- (iv) the related party to whom the financial benefit will be given is WCC. WCC is a related party of the Company by virtue of the fact that Cambrian, a major shareholder of WCC, is also a major Shareholder of the Company;
- (v) As at the date of this Notice, Cambrian holds a relevant interest in 81,511,422 Shares in the Company, representing a 21.6% voting interest. It also holds approximately 30.5 million common shares in WCC, representing a 38.9% voting interest.
- (vi) the nature of the financial benefit to be given is an indirect financial benefit as a result of entering into the Joint Venture Agreement. Specifically, the financial benefit involves the expenditure by the Company of up to C\$2,500,000 before 31 December 2008 pursuant to the terms and conditions of the Joint Venture Agreement;
- (vii) the Directors, who do not have a material personal interest in the outcome of Resolution 2, recommend that Shareholders vote in favour of Resolution 2 as they are of the view that the expenditure by the Company of C\$2,500,000 is appropriate consideration for the right to acquire a 50% interest in the Lillyburt Coal project in British Columbia;
- (viii) additional information in relation to Resolution 2 is set out throughout this Explanatory Statement. Shareholders should therefore read this Explanatory Statement in its entirety before making a decision of how to vote in relation to Resolution 2.

(c) ASX Listing Rule 10.1

ASX Listing Rule 10.1 provides that an entity must not acquire a substantial asset from, or dispose of a substantial asset to, inter alia, a related party or a substantial holder.

According to ASX, a substantial asset is an asset with a value (or the value of the consideration for it) of 5% or more of the equity interests of the Company as set out in the latest accounts given to ASX under the Listing Rules.

For the purposes of ASX Listing Rule 10.1, WCC is a related party of the Company by Cambrian, a major shareholder of WCC, also being a Shareholder of the Company.

The deemed acquisition price for the right to acquire a 50% interest in the Lillyburt Coal project in British Columbia is greater than 5% of the Company's equity interests as set out in the latest accounts given to ASX by the Company.

Accordingly, the Company is seeking Shareholder approval for the purpose of ASX Listing Rule 10.1.

(d) Independent Expert's Report

ASX Listing Rule 10.1 provides that shareholder approval sought for the purpose of ASX Listing Rule 10.1 must include a report on the proposed acquisition from an independent expert. Accompanying this Explanatory Statement is an independent expert's report prepared by Stanton Partners Corporate Pty Ltd that sets out a detailed examination of the proposed acquisition of a substantial asset to enable Shareholders to assess the merits and decide whether to approve the proposal.

To the extent that it is appropriate, the independent expert's report set out further information with respect to the joint venture and concludes that the proposed acquisition of a substantial asset from WCC is fair and reasonable to the non-associated Shareholders of the Company.

Shareholders are urged to carefully read the independent expert's report to understand the source of the report, the methodology of the valuation, the sources of information and the assumptions made.

2.3 Resolution 3 – Election of Mr Robert Reynolds

Mr Robert Reynolds was appointed as a director of the Company on 10 August 2005. He was appointed by the Directors as an addition to the Board. The Constitution of the Company requires that his appointment continue only until the next general meeting where he is then eligible for re-election. Mr Reynolds puts himself forward for re-election at this meeting.

Mr Reynolds (Master Eng.(Mining)) is mining engineer with more than 30 years experience in Australia and overseas in coal marketing as well as coal mining management and engineering. Mr Reynolds is a consultant providing marketing advice and services to a number of national and international coal producers. Mr Reynolds past experience was with Southland Coal, Oceanic Coal and BHP.

2.4 Resolution 4 – Election of Mr Robert Vallender

Mr Robert Vallender was appointed as a director of the Company on 10 August 2005. He was appointed by the Directors as an addition to the Board. The Constitution of the Company requires that his appointment continue only until the next general meeting where he is then eligible for re-election. Mr Vallender puts himself forward for re-election at this meeting.

Mr Vallender is a B Comm. with 30 years of management and new technology product development experience in Australia and North America. Mr Vallender is a consultant providing independent marketing and capital project sales advice to the Australian and European iron and steel and primary metals industries. He has dealt with major manufacturers and producers including Alcoa, U.S. Steel, and General Motors.

GLOSSARY

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Company and **Wasabi** means Wasabi Energy Limited (ABN 24 000 090 997).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement to the Memorandum.

General Meeting means the meeting convened by the Notice.

Memorandum means this information memorandum.

Notice means the notice of meeting which forms part of this Memorandum.

Official List means the official list of ASX.

Resolution means the resolution set out in the Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

Transaction means the sale of the Company's interest in Exergy Inc to AMP, in accordance with the details set out in Sections 1.1 and 2.1 of the Explanatory Statement.

WST means Western Standard Time, Perth, Western Australia.

SCHEDULE 1

**PRO-FORMA STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2005**

Consolidated Statements of Financial Position as at 31 March 2005

	Unaudited Statement of Financial Position as at 31 March 2005	Unaudited Pro Forma Statement of Financial Position as at 31 March 2005
	\$	\$
<u>CURRENT ASSETS</u>		
Cash Assets	2,677,879	5,292,640
Receivables	3,884	3,884
Other financial assets	415,588	-
<u>TOTAL CURRENT ASSETS</u>	<u>3,097,351</u>	<u>5,296,524</u>
<u>NON-CURRENT ASSETS</u>		
Property, Plant and Equipment	7,582	7,582
<u>TOTAL NON-CURRENT ASSETS</u>	<u>7,582</u>	<u>7,582</u>
<u>TOTAL ASSETS</u>	<u>3,104,933</u>	<u>5,304,106</u>
<u>CURRENT LIABILITIES</u>		
Payables	86,851	86,851
<u>TOTAL CURRENT LIABILITIES</u>	<u>86,851</u>	<u>86,851</u>
<u>TOTAL LIABILITIES</u>	<u>86,851</u>	<u>86,851</u>
<u>NET ASSETS</u>	<u>3,018,082</u>	<u>5,217,255</u>
<u>EQUITY</u>		
Contributed Equity	11,873,330	11,873,330
Accumulated Losses	(8,855,248)	(6,656,075)
<u>TOTAL EQUITY</u>	<u>3,018,082</u>	<u>5,217,255</u>

These statements of financial position assume:

- (a) the acquisition of the further promissory notes and stock that was completed during June 2005 and the payment of interest accrued to 31 March 2005;
- (b) that Wasabi will receive the following as a result of the Transaction:
 - (i) A\$1,186,800 for shareholding in Exergy;
 - (ii) A\$1,044,271 principal repayment on promissory notes; and
 - (iii) A\$383,690 interest on promissory notes; and
- (c) an exchange rate of US\$1 to A\$1.29.



STANTON PARTNERS CORPORATE PTY LTD

A.C.N 063 038 331

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WESTERN AUSTRALIA

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FACSIMILE: (08) 9321 1204

e-mail: jvdieren@stanton.com.au

23 August 2005

The Directors
Wasabi Energy Limited
139 Victoria Street
MOSMAN PARK WA 6012

Dear Sirs

RE: WASABI ENERGY LIMITED (ACN 000 090 997) MEETING OF SHAREHOLDERS PURSUANT TO LISTING RULES 10.1 AND 10.10 TO CONSIDER A RESOLUTION RELATING TO THE PROPOSAL TO ENTER INTO A JOINT VENTURE WITH WESTERN CANADIAN COAL CORP

1. INTRODUCTION

- 1.1 We have been requested by the Directors of Wasabi Energy Limited (“Wasabi” or “the Company”) to prepare an Independent Expert’s Report to determine the fairness and reasonableness of the transaction referred to in Resolution 2 as detailed in the Notice of Meeting to Wasabi shareholders (“the Notice”) and as summarised below.
- 1.2 Wasabi has agreed, subject to shareholders approval to enter into a Joint Venture/ Farm-In agreement with Western Canadian Coal Corp (“WCC”) whereby Wasabi may earn up to a 50% interest in the Lillyburt Coal Project (“Lillyburt”) that is situated in Canada. Wasabi is required to spend up to Canadian \$2,500,000 (“C\$2,500,000”) over a period from approval by shareholders to 31 December 2008 to earn up to 50% in Lillyburt. Its deemed participation interest is 50%, however it loses 5% for every C\$250,000 not spent on Lillyburt. In effect Wasabi will earn a 5% interest for each C\$250,000 it spends on Lillyburt up to a maximum of 50%. WCC’s major shareholder is Cambrian Mining PLC (“Cambrian”) that is purported to own 38.9% of WCC (and 47.5% on a fully diluted basis). Cambrian is also a significant shareholder in Wasabi, in that Cambrian owns approximately 21.57% of the issued capital of Wasabi. Further

details on the proposed Lillyburt Joint Venture/ Farm-In are outlined elsewhere in the Explanatory Statement to Shareholders accompanying the Notice.

- 1.3 Under the Corporations Act 2001, Cambrian is a substantial shareholder of Wasabi and pursuant to the Listing Rules of the Australian Stock exchange (“ASX”) Cambrian is also deemed a related party of Wasabi (by being a substantial shareholder in Wasabi). In addition the proposed Joint Venture/ Farm-In with WCC is deemed an involvement with a related party as Cambrian is also a substantial shareholder in WCC. Listing Rule 10.1 requires any transaction involving a related party to be approved by shareholders not associated with the related party before the agreement can be enforced. Thus, pursuant to ASX Listing Rule 10.1 and 10.10, approval is required from the shareholders of Wasabi not associated with Cambrian. As part of that process, an independent expert is required to report to the shareholders (in this case the shareholders in Wasabi not associated with Cambrian) as to whether the proposal to enter into the Joint Venture/ Farm-In with WCC is fair and reasonable to the shareholders not associated with Cambrian.
- 1.4 Stanton Partners Corporate Pty Ltd (“SPC”) has been requested to prepare the independent experts report and this report considers whether the proposal as outline above is fair and reasonable to the shareholders not associated with Cambrian. As part of our determination as to whether the proposal is fair and reasonable, we have relied on an independent assessment report (“Assessment Report”) on the Canadian Lillyburt coal project by Morris Geological Co. Ltd (“Morris”) (authors of the geologists report, Mr R J Morris and G S Reeves). This Assessment Report is attached as Annexure B to the Explanatory Statement to Shareholders that forms part of the Notice. Shareholders should read our report and the Assessment Report in its entirety before deciding on whether to vote for or against Resolution 2 in the Notice.
- 1.5 Apart from this introduction, the report considers the following:
 - Summary of opinion
 - Future directions of Wasabi
 - Fairness and Reasonableness of the Proposals
 - Conclusion as to Fairness and Reasonableness
 - Sources of information
 - Appendix A and our Financial Services Guide
- 1.6 There are three other Resolutions being put to the shareholders of Wasabi. Resolution 1 relates to the sale of the shares in Exergy Inc and sale of the promissory notes (funds lent to Exergy) to AMP Resources, LLC (“AMP”) for a total consideration of approximately \$2,614,000 (refer comments below). Resolution 3 relates to the re-appointment of Robert Reynolds and Resolution 4 relates to the re-appointment of Robert Vallender to the Board of Directors. We are not reporting on the merits or otherwise of Resolutions 1 and 3 to 4 however we have for the purposes of this report assumed that Resolution 1 will be passed and consummated.

2. SUMMARY OF OPINION

- 2.1 In determining the fairness and reasonableness of the transactions pursuant to Resolution 2, we have had regard for the definitions set out by the Australian Securities and Investments Commission (“ASIC”) in its Policy Statements 75 and 74.

Policy Statement 75 states that an opinion as to whether an offer is fair and/or reasonable shall entail a comparison between the offer price and the value that may be attributed to the securities under offer (fairness) and an examination to determine whether there is justification for the offer price on objective grounds after reference to that value (reasonableness).

Policy Statement 74 states that in all cases, where an acquisition of shares by way of an allotment is to be approved by shareholders pursuant to Section 611 (Item 7) of the Corporations Act (“TCA”), a report by an independent expert stating whether or not the proposal is fair and reasonable, having regard to the interests of shareholders other than the proposed allottee (in this case, Cambrian), and whether a premium for potential control is being paid by the allottee, will be required. Policy Statement 74 also provides that such an allotment should involve a comparison of the advantages and disadvantages likely to accrue to non-associated shareholders if the transactions proceed compared with if they do not. In this case there are no shares to be allotted, however we have considered the advantages and disadvantages of the proposal in arriving at our opinion.

- 2.2 In our opinion:

The proposal as outlined in Resolution 2 that will allow Wasabi to earn up to a 50% interest in Lillyburt by spending up to C\$2,500,000 over a period that ends on 31 December 2008 is on balance **fair and reasonable** to the non-associated shareholders of Wasabi.

The opinions expressed above must be read in conjunction with the more detailed analysis and comments made in this report.

3. FUTURE DIRECTION OF WASABI

- 3.1 We have been advised by the Directors of Wasabi that:

- (a) As announced, Wasabi in June 2005 increased its shareholding interest in Exergy Inc from 11% to approximately 46% by purchasing all of the interests of Unotec Holdings AG and QI-X Holdings LDC. The option agreement of November 2004 allowed Wasabi to purchase equity in Exergy (18,736,621 shares in Exergy) (and acquire a convertible note due to be paid by Exergy of US\$320,000) from these parties for a total of US\$400,000. Wasabi paid a non refundable deposit of US\$100,000 in November 2004 and the balance of US\$300,000 was paid in June 2005. The Company had an agreement with CTE Investments Pty Ltd (“CTE”) for CTE to provide a due diligence investigation report on Exergy and advise and enable the Company to extract a suitable return on its investment in Exergy. Included in the fee for this service, CTE is to receive up to 3,700,000 shares in the Company at a deemed issue price of 1 cent per

share if the Company receives the principal and interest due on the convertible notes or the Company converts the notes to common stock in Exergy. If the return on the convertible notes is less than full amount, the shares issued to CTE is reduced proportionately. As proposed under Resolution 1, Wasabi is to sell its shareholding in Exergy and sell its interest in the promissory notes (amounts payable by Exergy). The consideration receivable is US\$930,000 for the shares in Exergy, AUS\$1,044,271 for the principal repayment on the promissory notes along with interest of approximately US\$297,000 on the promissory notes. The carrying value of the Exergy shareholding interest and the carrying value of the promissory notes is approximately AUS\$540,000 as part of the initial investment and the promissory notes acquired in 2002 have been fully provided for (as disclosed in the unaudited management accounts of Wasabi as at 30 June 2005). In total Wasabi will receive an estimated AUS\$2,614,000 (approximate) based on an exchange rate of US\$1 equals AUS\$1.29. Furthermore as part of the sale proposal, Wasabi will commit a minimum of \$500,000 to a joint venture company with Recurrent Resources LLC ("Recurrent") that is to operate in certain Asian countries. Recurrent is an affiliated company of AMP. Wasabi will have an initial 75% interest in the joint venture company and may at its option pay a further \$500,000 to the joint venture company after 24 months. Recurrent holds a licence to use Exergy's Kalina Cycle technology ("KCT"). The joint venture company will be established to exploit the KCT in China (including Taiwan), India, Philippines, Malaysia and South Korea. Thus the net cash inwards after paying \$500,000 to the joint venture company will be around \$2,114,000 (before the proposal with WCC). Net cash reserves as at 7 August 2005 are estimated at around \$2,000,000.

- (b) There are no proposals contemplated either whereby Wasabi will acquire any property or assets from Cambrian or WCC or where Wasabi is to transfer any of its property or assets to Cambrian or WCC except that Wasabi by spending up to C\$2,500,000 may earn up to a 50% interest in Lillyburt that is owned by WCC and Cambrian owns approximately 38.9% of WCC.
- (c) Composition of the Board of Directors of Wasabi changed on 10 August 2005 with the appointment of Messrs R Vallender and R Reynolds. We have not been provided with details as to who may resign from the Board in 2005.
- (d) No dividend policy has been set and is not proposed to be set until such time as the Company is profitable and has a positive cash flow.
- (e) The Company has through previous announcements via the ASX stated that it would consider the future acquisition of a business or businesses in the energy industry. As part of that strategy, Wasabi is proposing the Joint Venture/ Farm-In with WCC.

4. FAIRNESS AND REASONABLENESS OF THE PROPOSALS

We set out below, some of the advantages, disadvantages and other factors pertaining to the proposed entering into the Lillyburt Joint Venture/ Farm- In with WCC.

Advantages

- 4.1 The Company as part of its restructuring is selling its direct investment in Exergy but will maintain an interest in the Kalina technology via its proposed 50% interest in a joint venture company with AMP as referred to above. Wasabi requires another energy related project to encourage further market interest and encourage investors to invest in the Company. The interest in mining companies is strong and has been for the last two years and is expected to continue in the near future. By entering into the Lillyburt Joint Venture- Farm-In arrangement with WCC, potential investors may be attracted to the Company and the Company continues to diversify into other energy interests. This could lead to a re-rating of the Company's shares (price) on the ASX and lead to an upward movement in price.
- 4.2 The coal industry notwithstanding its dirty image has been a favourable investment of investors. The Lillyburt Project where Wasabi may earn up to a 50% interest by spending up to C\$2,500,000 to 31 December 2008 is in the south east of British Columbia ("BC") Canada and there are new coal mines opening in BC including a coal project (the Woleverine Coal Project) by WCC. There is an opportunity for Wasabi to participate in the coal industry in a stable country like Canada. There is however no guarantee that the Lillyburt Project will lead to the opening of a coal mine.
- 4.3 The Assessment Report of Morris indicates good prospectivity to Lillyburt and thus there is the opportunity for Wasabi to gain up to a 50% interest in Lillyburt at a cost over a period to 31 December 2008 of up to C\$2,500,000. There appears to be exploration potential at Lillyburt that could lead to small or large scale coal mining activities, subject to inter-alia further evaluation and consideration of environmental matters. Morris concludes that "the offer would be fair to Wasabi Energy Ltd" (in relation to committing to spend up to C\$2,500,000 to earn a 50% interest in Lillyburt. The Assessment Report of Morris should be read in its entirety so shareholders understand the technical prospectivity of Lillyburt. We are satisfied that Morris are suitably qualified and experienced in undertaking technical assessment and valuation reports on coal projects and have relied on the Assessment Report in determining our conclusion.

Disadvantages

- 4.4 There is always the risk in the mineral exploration industry of failure to locate and commercialise a mine, whether it is coal or base metals. The Company may spend \$2,500,000 to 31 December 2008 and discover that Lillyburt does not have sufficient resources or reserves to operate a commercial coal mine. In the meantime, cash reserves (that are estimated to be around \$4,114,000 after the sale of the Exergy shareholding and promissory notes and initial investment in a joint venture company with Recurrent) would be depleted. It should be noted however that Wasabi may withdraw from the Lillyburt Joint venture/ Farm-In after a minimum of C\$250,000 has been spent by Wasabi. Wasabi would then be in a position to decide whether to continue exploration and evaluation or withdraw. This would limit the funds spent.

Other Factors

- 4.5 As at 15 July 2005, there were 377,974,211 ordinary shares on issue in Wasabi and there are approximately 988 shareholders of which 460 have less than a marketable parcel. The top twenty shareholders as at 15 July 2005 owned 59.09% of the current issued capital.

The significant shareholders are disclosed as:

<u>Name of Shareholder</u>	<u>No. of Shares</u>	<u>% Interest</u>
Cambrian Mining PLC	81,511,422	21.57
Invia Custodian Pty Limited	43,500,000	11.98
Sassey Pty Ltd	15,741,000	4.16
Marguerite Investment Pty Ltd	9,873,000	2.61
John Joseph Byrne	9,000,000	2.38
M A O'Brien Medical Pty Ltd	7,831,110	2.07
Archfield Pty Ltd	6,839,647	1.81
	<u>174,296,179</u>	<u>46.58</u>

The entering into the Lillyburt Joint venture/ Farm-In will not result in the issue of any further shares. However, Wasabi will be committed to spend up to C\$2,500,000 to 31 December 2008 to earn up to a 50% interest in Lillyburt. Wasabi may after spending a minimum of C\$250,000 withdraw from the Joint venture/ Farm- In and will not be obligated to WCC after such withdrawal. As noted above, for every C\$250,000 spent by Wasabi, it will earn a 5% interest in Lillyburt. Initially, the percentage contribution is 50%, however it is reduced by 5% for every C\$250,000 not spent on Lillyburt.

- 4.6 There is potential for Wasabi to form a long term strategic alliance with WCC and Cambrian that can be advantageous. WCC is listed on the Toronto Stock Exchange and the Alternative Investment Market ("AIM") in London and Cambrian is also listed on AIM.
- 4.7 There is no direct advantage to Cambrian as the deemed related party to Wasabi and WCC other than WCC will save money by having Wasabi spend up to C\$2,500,000 over a period ending 31 December 2008. Cambrian is a significant shareholder in both companies. If Cambrian was not a significant shareholder in both companies, arguably the shareholders may not be asked to vote on the proposal as noted in Resolution 2.
- 4.8 The Lillyburt Joint Venture/Farm-In terms appears to us not to be outside acceptable terms and conditions found in other farm-in agreements relating to the mining industry.

5. CONCLUSION AS TO FAIRNESS AND REASONABLENESS

- 5.1 After taking into account the factors referred to in Section 4 above and elsewhere in this report, we are of the opinion that the proposal as outlined in Resolution 2 is, on balance, fair and reasonable to the non associated shareholders of Wasabi not associated with Cambrian.

6. SOURCES OF INFORMATION

6.1 In making our assessment as to whether the proposals per Resolution 2 are fair and reasonable, we have reviewed relevant published available information and other unpublished information of the Company that is relevant to the current circumstances. In addition, we have held discussions with the management of Wasabi about the present and future operations of Wasabi, Exergy and the proposed Joint Venture/Farm-In with WCC. Statements and opinions contained in this report are given in good faith, but in the preparation of this report, we have relied in part on information provided by the Directors and management of Wasabi.

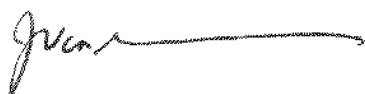
6.2 Information we have received includes but is not limited to:

- Draft July 2005 Notice of General Meeting of Shareholders of Wasabi;
- Discussions with management and Directors of Wasabi;
- A draft and the final Lillyburt Joint venture/Farm-In agreement between Wasabi and WCC;
- Shareholding details of Wasabi as supplied by the Company's Share Registry at 15 July 2005;
- Share prices of Wasabi since 1 April 2004 to 21 August 2005;
- Annual report of Wasabi for the year ended 30 June 2004 and unaudited management accounts for the year ended 30 June 2005;
- Announcements made by Wasabi to the ASX from January 2003 to 21 August 2005;
- General information on Wasabi, Exergy, Cambrian, WCC and the Lillyburt Project;
- The Assessment Report of Morris on Lillyburt of July 2005; and
- Information on WCC as gleaned from published information on its website and the information filed with the Toronto Stock Exchange.

6.3 Our report includes Appendix A and a Financial Services Guide attached to this report.

Yours faithfully

STANTON PARTNERS CORPORATE PTY LTD



J P Van Dieren, FCA
Director

APPENDIX A

AUTHOR INDEPENDENCE AND INDEMNITY

This annexure forms part of and should be read in conjunction with the report of Stanton Partners Corporate Pty Ltd dated 23 August 2005 relating to Resolution 2 outlined in the Notice of Meeting of Shareholders of Wasabi.

At the date of this report, Stanton Partners Corporate Pty Ltd does not have any interest in the outcome of the proposal. There are no relationships with Wasabi other than acting as an independent expert for the purposes of this report. There are no existing relationships between Stanton Partners Corporate Pty Ltd and the parties participating in the transaction detailed in this report which would affect our ability to provide an independent opinion. The fee to be received for the preparation of this report is based on the time spent at normal professional rates plus out of pocket expenses and is estimated at \$10,000. The fee is payable regardless of the outcome. With the exception of that fee, neither Stanton Partners Corporate Pty Ltd, nor John P Van Dieren have received, nor will or may they receive any pecuniary or other benefits, whether directly or indirectly for or in connection with the making of this report.

Stanton Partners Corporate Pty Ltd, Stanton Partners and Stantons International or any partners/ Shareholders of Stanton Partners and Stantons International do not hold any securities in Wasabi, WCC or Cambrian. There are no pecuniary or other interests of Stanton Partners Corporate Pty Ltd that could be reasonably argued as affecting its ability to give an unbiased and independent opinion in relation to the proposal. Stanton Partners Corporate Pty Ltd and Mr J Van Dieren have consented to the inclusion of this report in the form and context in which it is included as an annexure to the Notice.

QUALIFICATIONS

We advise Stanton Partners Corporate Pty Ltd is the holder of an Investment Advisers Licence (No 231201) under the Corporations Act relating to advice and reporting on securities. A number of the partners of Stanton Partners and Stantons International are the Directors of Stanton Partners Corporate Pty Ltd. Stanton Partners, Stantons International and Stanton Partners Corporate Pty Ltd have extensive experience in providing advice pertaining to mergers, acquisitions and strategic and financial planning for both listed and unlisted companies and businesses.

Mr John P Van Dieren FCA, the person responsible for the preparation of this report, has extensive experience in the preparation of valuations for companies and in advising corporations on takeovers generally and in particular on the valuation and financial aspects thereof, including the fairness and reasonableness of the consideration offered

The professionals employed in the research, analysis and evaluation leading to the formulation of opinions contained in this report, have qualifications and experience appropriate to the tasks they have performed.

DECLARATION

This report has been prepared at the request of the Directors of Wasabi in order to assist the shareholders of Wasabi to assess the merits of the proposal (Resolution 2 only) to which this report relates. This report has been prepared for the benefit of Wasabi and those persons only who are entitled to receive a copy for the purposes of ASX Listing Rule 10.1 and 10.10 and does not provide a general expression of Stanton Partners Corporate Pty Ltd's opinion as to the longer term value of Wasabi, Exergy, WCC, Cambrian or the Lillyburt Project. Stanton Partners Corporate Pty Ltd does not imply, and it should not be construed, that it has carried out any form of audit on the accounting or other records of Wasabi, Exergy, WCC, Cambrian or its subsidiaries. Neither the whole, nor any part of this report, nor any reference thereto may be included in or with or attached to any document, circular, resolution, letter or statement, without the prior written consent of Stanton Partners Corporate Pty Ltd to the form and context in which it appears.

DISCLAIMER

This report has been prepared by Stanton Partners Corporate Pty Ltd with care and diligence. However, except for those responsibilities which by law cannot be excluded, no responsibility arising in any way whatsoever for errors or omission (including responsibility to any person for negligence) is assumed by Stanton Partners Corporate Pty Ltd, Stanton Partners, Stantons International, their shareholders, directors, partners, employees or consultants for the preparation of this report.

DECLARATION AND INDEMNITY

Recognising that Stanton Partners Corporate Pty Ltd may rely on information provided by Wasabi and its officers (save whether it would not be reasonable to rely on the information having regard to Stanton Partners Corporate Pty Ltd experience and qualifications), Wasabi has agreed:-

- (a) to make no claim by it or its officers against Stanton Partners Corporate Pty Ltd to recover any loss or damage which Wasabi may suffer as a result of reasonable reliance by Stanton Partners Corporate Pty Ltd on the information provided by Wasabi; and
- (b) to indemnify Stanton Partners Corporate Pty Ltd against any claim arising (wholly or in part) from Wasabi or any of its officers providing Stanton Partners Corporate Pty Ltd any false or misleading information or in the failure of Wasabi or its officers in providing material information, except where the claim has arisen as a result of wilful misconduct or negligence by Stanton Partners Corporate Pty Ltd.

A draft of this report was presented to Wasabi Directors for a review of factual information contained in the report. Comments received relating to factual matters were taken into account, however the valuation methodologies and conclusions did not alter.



STANTON PARTNERS CORPORATE PTY LTD

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FINANCIAL SERVICES GUIDE

Dated 23 August 2005

1. STANTON PARTNERS CORPORATE PTY LTD

Stanton Partners Corporate Pty Ltd ABN 89 036 036 331 (“SPC” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

2. FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our **Australian Financial Services Licence, Licence No: 231201**;
- remuneration that we and/or our staff and any associated receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

3. FINANCIAL SERVICES WE ARE LICENCED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide financial product advice in relation to:

- Securities

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.



Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

4. GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

5. BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.

Except for the fees referred to above, neither SPC, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

6. REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

7. REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

8. ASSOCIATIONS AND RELATIONSHIPS

Through a variety of corporate and trust structures, SPC is ultimately wholly owned by and operates as part of Stanton Partners and Stantons International professional advisory and accounting practices. Our directors may be partners or directors in Stanton Partners or Stantons International.

From time to time, SPC, Stanton Partners and/or Stantons International and their related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.



9. COMPLAINTS RESOLUTION

9.1 *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to:

The Complaints Officer
Stanton Partners Corporate Pty Ltd
Level 1
1 Havelock Street
WEST PERTH WA 6005

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaints within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

9.2 *Referral to External Dispute Resolution Scheme*

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited (“**FICS**”). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited
PO Box 579
Collins Street West
MELBOURNE VIC 8007

Toll Free: 1300 78 08 08
Facsimile: (03) 9621 2291

10. CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead on page 1 of this FSG.

**Preliminary Assessment
Of the Lillyburt Coal Property
Southeast British Columbia**

Executive Summary

Wasabi Energy Ltd. has retained Morris Geological Co. Ltd. to provide a review of the Lillyburt coal property located in an area known as the "Flathead" southeast of Fernie B.C. Wasabi has asked the authors to provide an opinion as to the potential of the property and the fairness to a proposed investment of \$2.5M to assume a 50% ownership.

Morris Geological Co. Ltd. has retained G.S. Reeves Associates International Ltd. to provide input in the areas of mining engineering, transportation and economic considerations. The authors previously owned the coal licenses but sold their rights to Western Canadian Coal Corp. for shares. All of the shares have since been sold through public trades, leaving us with no interest in the property.

The Lillyburt property provides a viable opportunity to develop a deposit that could supply world markets with a thermal or PCI product for roughly at least 20 years. Key assumptions and limitations are based on known infrastructure, mining practices and impacts consistent with open pit coal mining in southeast British Columbia.

The Lillyburt coal property is located 18 km by road south of the Coal Mountain mine in southeast British Columbia. The area was extensively explored by Shell Canada Ltd. (Crows Nest Resources Ltd.) during the early 1980's; their total expenditures over five seasons amounted to approximately \$957,500.00. Work included thirty-three drill holes totaling 6,278 metres, of which four are HQ diamond drill holes, and numerous trenches. A non JORC compliant study including preliminary pit design was undertaken during this period.

Five potentially mineable seams varying from one to fifty-seven meters thick have been identified. The middle seam, Seam C, represents at least 55% of the potential deposit. This seam shows excellent quality parameters and potentially could be used to produce a highly marketable product.

The Lillyburt project area provides ideal conditions for starting an open pit operation. The topography is gently sloping and easily accessible. Most mining areas in southeast BC are located on steep mountain slopes that require large capital investments in road construction before any coal release is realized. The project area could facilitate mine development with minimal development costs.

A major concern with project development is the proximity to the Flathead River and two of its tributaries. We believe that with sound mining and processing practices the potential mine could be approved under the new environmental assessment process within a two-year period.

One of the most important issues identified for this project is coal transportation. The road to the Coal Mountain area is generally thought to have acceptable grades but the upgrading requirements are not known. This should be investigated.

The potential to process the coal at the Coal Mountain Operations plant should also be foremost in the early investigations. This could remove a huge amount of capital cost and expedite the project.

Considering the long-term demand for coal resources and the potential that the Lillyburt property provides, it is felt that a deposit will eventually be developed. The property requires further work, including exploration and feasibility studies. The authors feel that the offer would be fair to Wasabi Energy Ltd.

1 Introduction

Scope of Work

The authors have previously completed a review of existing public data for the project. The present work represents a fairness opinion based on personal knowledge and experience.

Location

The Lillyburt property is located in the upper portion of the Flathead River drainage in southeastern British Columbia, Figure 1. The property is 18 kilometers south of the Coal Mountain Operations.

Topographically the area has relatively moderate relief, ranging from 1,480m near the Flathead River to 1,570m at the highest point of the coal-bearing area.

The Flathead River forms a natural boundary to the south while Squaw Creek forms the west edge of the mineable area.

Access

The area is accessed by several BC Forest service roads. From the Coal Mountain mine area, a road follows Michel Creek to its headwaters and the Flathead Pass and continues down Squaw Creek to its mouth at the former town site of Flathead, Figure 2.

Most of the property has been extensively logged, providing a network of roads throughout the area of interest.

Infrastructure

The nearest existing facilities are at the Coal Mountain Operations, 18 km to the north, where there are railway load-out facilities, a coal wash plant and electrical power.

Land Tenure

Western Coal Corporation controls the two main coal licenses covering the majority of the potential coal resource, Figure 2. The surrounding, nine coal licences are held by Elk Valley Coal Corporation. Tembec (a large Canadian forest products company) privately owns the surface rights in the area of interest.

2 Geology

A summary of the exploration history on the Lillyburt property includes the following:

Table 2.1
Exploration History

Year of Exploration	Work Completed	Value of Work
1978	Aerial photography, Topographical mapping, 1:5,000 scale.	\$20,497.00
1979	Reconnaissance geological mapping, Three reverse circulation holes, 571 m, Three backhoe trenches, 30 m.	\$53,875.00
1980	Nineteen reverse circulation holes, 3,388 m, Three backhoe trenches, 275 m.	\$318,891.00
1981	Geological mapping, 1:2,000, Six reverse circulation holes, 992 m, Four diamond drill holes, 1,201 m, Ground geophysical studies, EM-34, EM-31 and DC resistivity.	\$535,082.00
1982	Geological mapping.	\$8,619.00
1985	One rotary hole, 115 m.	\$20,497.00
<u>Total =</u>		\$957,461.00

Regional Setting

The coal-bearing Kootenay Group is up to 330 m thick in the southern portion of the Lillyburt property but is reduced to 175 m thick in the north. The coal-bearing strata comprise the basal sandstone, the Morrissey Formation, up to the Cadomin conglomerate of the Blairmore Group. Between the Morrissey and Blairmore, the Mist Mountain Formation hosts five coal horizons greater than one meter thick.

The property is located within the Flathead Valley graben structure, a series of normal faults as outlined by Price, 1965. The property is bounded by the south dipping Flathead normal fault to the north and east and a north dipping normal fault located in the Flathead River to the south. Westward, the coal-bearing strata are confined by the Squaw thrust.

Stratigraphy

The lower 125 m of coal-bearing strata consist of carbonaceous siltstone, coal, shale, carbonaceous mudstone and fine-grained sandstone. The basal sandstone, the Moose Mountain Member of the Morrissey Formation, underlies the coal horizons. The important coal seams include:

- **Seam A**, the lowest seam, lying directly on the basal sandstone. The seam varies from 2.2 to 8.5 m (averaging 4.9 m) thick and is shaley in places.
- **Seam B**, from 40 to 65 m up section from seam A. The seam varies from less than a meter to 6.6 m (averaging 2.4 m) thick and locally has a 3 m thick rock parting.
- **Seam C**, averaging 40 m up section from seam B. The seam varies in thickness from one to 57 m and averages 13.6 m thick. In the southeast, the seam has a parting up to 13 m thick. Except for this southeast area, rock partings within the seam are rare.

- **Seam D**, averaging 40 m up section from seam C. The seam varies from less than one to two meters thick and averages 1.1 m thick with a distinctive 0.5 m parting.
- **Seam E**, the highest seam in the sequence, is more of a coal zone with rock partings up to one meter thick separating the coal layers. The zone can be up to 15 m thick, but coal layers are generally less than one meter thick and may total 4 m.

Above the five coal seams the upper 175 m of section is dominated by sandstone. Coal seams are less abundant and thicknesses are generally less than 2 m.

The Cadomin conglomerate, the basal member of the Cretaceous Blairmore Group unconformably overlies the lower strata. The unit varies from 10 to 15 m thick and is characterized by its resistance to weathering and blocky outcrop nature. Overlying the conglomerate is a monotonous succession of mudstone, siltstone and sandstone.

Structure

Lillyburt, located in the Flathead Valley graben structure, is characterized by small and large scale gravity faulting. The Flathead normal fault is the predominant structure in the area with displacement approximately 1200 meters near the Flathead town site (Price, 1965) Associated with this major structure are several strike-slip wrench faults sub-parallel to the main fault system. The Squaw Thrust defines the western boundary of the property. Within the major structural block, east of Squaw Creek and north of the Flathead River, the coal-bearing sediments have been folded into a tight, asymmetric, east-plunging syncline.

This syncline is characterized by a moderate dipping south limb and steeply dipping north limb. The axial plane of this fold trends approximately east west and dips northward.

Exploration Results

McKinstry, 1981, made a resource estimate and description of methodology, the estimates pre-date today's standards and are not considered to be JORC compliant.

3. Coal Quality

The Lillyburt property hosts medium volatile bituminous coal with consistently low FSI values. Work at the Coal Mountain mine and several other properties in the area indicate that the coal has a high inert content, which inhibits its swelling characteristics. It is suggested that the coal could be used in the PCI market.

Table 3.3
Coal Quality Summary

	Seam A	Seam B	Seam C	Seam D	Seam E
Average thickness (m)	5.2	2.7	16.6	3.0	3.9
Raw Coal					
Moisture (%)	0.64	0.75	0.95	0.64	NA
Ash (%)	30.1	27.6	29.0	23.8	NA
FSI	NA	1.0	1.0	NA	NA
Clean Coal					
Float SG	1.6	1.6	1.6	1.6	NA
Moisture (%)	1.84	0.70	1.88	1.69	NA
Ash (%)	14.8	14.6	11.4	8.9	NA
VM (%)	23.03	19.66	22.27	23.74	NA
FC (%)	60.31	65.04	64.20	65.19	NA
FSI	4.0	1.0	1.0	7.0	NA
S (%)	0.60	NA	0.29	NA	NA
Yield (%)	58	67	53	62	NA
CV (Kcal/Kg)	7057	NA	7323	NA	NA

4. Mining Potential

The Lillyburt project area offers ideal conditions for starting an open pit operation. The topography is gently sloping and easily accessible. Most mining areas in southeast BC are located on steep mountain slopes that require large capital investments in road construction before any coal release is realized. The project area could facilitate mine development with minimal development costs.

Infrastructure

The present infrastructure is located roughly 18km to the north at the Coal Mountain Operation. The options available to the owners of Lillyburt include the following:

- Build a wash plant in the vicinity of the open pit mine.
- Build a wash plant in the vicinity of Corbin at Coal Mountain.
- Develop a contract to have Elk Valley Coal process the coal at Coal Mountain Operations. Coal Mountain has a rapidly depleting reserve base and has recently upgraded the wash plant.

Power required for the mining operation could be brought in from the Coal Mountain area. Power would be required to operate large electric shovels and for the maintenance and service requirements.

Coal Haulage

Clean or raw coal could be hauled to the Corbin area using off-highway type coal haulers. A truck-train type application will allow for 80 to 100 tonne capacity trucks to deliver coal to a wash plant or to a load out facility at the rail line. The road grades were determined to be roughly 3% on both sides of the Flathead Pass. A site visit in 1996 showed that significant upgrading of the access is required.

A separate rail line into the Coal Mountain mine may be required or arrangements may be made to use the existing rail line owned by Elk Valley Coal Corp. The clean coal load out will likely be in the vicinity of Coal Mountain Operations considering the excessive capital costs associated with bringing a rail line to the mine site. The location of a plant may be driven by the need to dispose of plant waste (see Coal Processing).

Mine Waste

Waste from the mining operation will consist of gravels and waste rock in the form of siltstone and sandstone. An initial waste dump will be required outside of the pit area to release coal. It is recommended that the waste rock hauled out of the pit in the early years be considered for the construction of a dyke structure to isolate the pit developments from the Flathead River. Considering the environmental sensitivity and the fish population in the river the approval process will be more expedient if efforts are made to protect the river and the downstream stakeholders.

Mine wastewater will be treated in a series of sedimentation control structures. The BC Ministry of Mines would determine the mine abandonment requirements.

Waste rock could be backfilled into the mined out areas of the pit as soon as possible and this should be illustrated in the mine plans. This will greatly reduce the outside waste dump requirements and improve the haulage costs for the owners.

Mining the Coal

Coal mining would likely be done with shovel front hydraulic excavators and by using backhoe applications. Large front-end loaders may also be used.

Waste partings, between the coal seams, would have to be cleaned off and removed using dozers. The dozing requirements will increase the costs associated with mining raw coal. Coal seams are usually mineable down to a thickness of half a meter in certain applications.

Manpower and Labor Force

The Lillyburt project will employ many trades personnel, professional staff, and consultants. The project will be well received in the local economy. It should be noted here that the BC government is currently encouraging the mining sector in a very positive way.

5. Coal Processing

Waste material from the cleaning process could best be treated using a filter press approach for the following reasons:

- The waste from a plant at the mine site could be solid enough to be backfilled onto the open pit following the mining process. This provides a more acceptable plan for abandonment than a tailings pond.
- If the plant is located in the Coal Mountain area there may not be enough room to support plant waste over the long term. Favorable topography for development is limited in that area.
- Coal Mountain Operation currently uses a filter press system. If the Lillyburt coal is processed at Coal Mountain the disposal area would likely continue to be on their property.

Marketing

The coal at Lillyburt could flow into the world market as a thermal or PCI type coal. In today's economy, and considering that an aggressive commodities cycle prevails in the resource sector the coal at Lillyburt should be brought on stream as early as possible. Selling prices for this coal can vary but the world demand for coal appears to be consistently strong.

6. Government and Public Acceptance

The project area has been classified under the land use management plan for the East Kootenays as land dedicated to resource development.

A major concern with project development is the proximity to the Flathead River and two of its tributaries. We believe that with sound mining and processing practices the mine would be approved under the new environmental assessment process within a two-year period.

This project has the potential to strengthen the economy of the Elk Valley and to reduce unemployment in the area.

It is important that the public be informed of any plans to proceed with the proposed work. An application for an exploration permit may take several months for approval. A local logging company holds the land privately, and their comments on the project should be considered. As well, the local Tribal Council should be informed of the plans.

Under the BC mine approval process a detailed environmental assessment will be required. This will include fish and wildlife, water, acid rock drainage, and other areas of concern. Other areas that require research include geotechnical, socioeconomic impact, public disclosure and first nations consultation.

7. Net Asset Value

The value of the Lillyburt coal property will only be determined after further exploration and feasibility work is completed. Resource values and mining cost information are highly variable. Some variables that will greatly influence the project include:

- The cost of a truck-train type haulage from the mine site to the Corbin area rail line.
- The cost associated with protecting the Flathead River system.
- The costs associated with using filter press technology to eliminate a tailings pond.
- The costs associated with mine abandonment.

Fairness Opinion

Considering the long-term demand for coal resources and the potential that the Lillyburt property provides it is generally felt that a potential project will eventually be developed. It is understood that Wasabi Energy Ltd. is being offered a 50% position in the Lillyburt property by committing \$2.5 million. Lillyburt is thought to be a property of merit, worthy of further investment. The authors feel that the offer would be fair to Wasabi Energy Ltd.

8. Proposed Exploration Program

It is recommended that a three-phase program be undertaken, including:

Phase 1 - A scoping study to determine the economic potential of the project. This would include detailed study of the existing geological database and the development of a computer model along with various mining schemes.

Phase 2 - Preliminary field exploration to confirm coal quality estimates. This program would include trenching of the important coal seams in order to procure representative samples to assess the coal quality, assess the access road.

Phase 3 - At this point a decision about the projects potential could be made. If positive, several pieces of work could be ongoing, including:

- Exploration drilling to provide JORC compliant proven and probable reserves.
- The first stage of the environmental assessment process should be initiated.

Estimated Budget

Phase 1, Scoping Study

- Acquisition of exploration data, review data, create database, determination of resources and their classification using a computer model create mining schemes, determine the economic potential of the project.

subtotal = \$ 60,000.00

Phase 2, Preliminary Fieldwork

- Trenching the important coal seams in order to procure representative samples, as well as several drill holes to complete in-fill drilling in the probable mining area, laboratory analyses, assess the access road.

subtotal = \$200,000.00

Total = \$260,000.00

9. Disclaimer

This report does not represent a complete review of the data, but is based on historical reports by McKinstry 1981 and a review by Reeves and Morris in 1996.

Wasabi Energy asked the authors for an opinion based on their experience with coal mining in British Columbia. In the opinion of the authors, the deposit should be proved and developed as soon as possible to take advantage of market conditions and the positive attitudes towards mining that prevail in British Columbia. The authors will not be held responsibility or accountable considering the economic outcomes or any other outcomes resulting from project exploration or development or the investor's decision to invest. The Lillyburt coal property requires further exploration for a resource calculation and investigations concerning infrastructure, coal transportation, marketing and public acceptance. The economic feasibility of the project is not known.

10. Credentials

Robert Morris is an experienced mining and exploration geologist with over 30 years experience. Mr. Morris has a B.Sc. in Geology from the University of British Columbia (1973) and a Master of Science in Geology from Queen's University (1978) and is a member of The Association of Professional Engineers and Geoscientists of the Province of British Columbia, registration #18,301. Past work on coal projects include:

- Exploration and production experience on most of the coal properties in southeast B.C., as well as some central and northern B.C. properties.
- Exploration and feasibility studies on coal properties in Northeast Great Britain, Indonesia, Columbia, Thailand, and Iran.

Gerald Reeves is experienced as a team player, and in team management, with a solid background managing large projects. He has been successful in optimizing field operations with effective utilization of human resources. Gerald has experience meeting environmental and geotechnical objectives in field programs while coordinating this work with government agencies.

Project experience includes feasibility studies, mine operations, environmental and geotechnical studies, government approvals and public consultations. Some large projects that Mr. Reeves has work on include:

- Highland Valley Copper (B.C.) during the start up years.
- Suncor Tarsands overburden removal and Dyke construction (Ft. McMurray A.B.)
- Loram heavy construction division (Calgary A.B.).
- Gregg River Resources (Manalta Coal, Calgary A.B.).
- Amax Coal US for Smokey River Coal (A.B).
- Dennison Mines (Quintette Coal feasibility, Calgary, A.B.).
- Shell Canada (Line Creek coal mine feasibility and mine production 14 yrs B.C.).

Consulting services include environmental audits, remediation work, acid rock drainage , mine planning and cost engineering.

The information included in this report that relates to Exploration Results is based on a review by Robert Morris, who is a member of the Association of Professional Engineers and Geoscientists of the Province of British Columbia, a 'Recognised Overseas Professional Organisation' included in a list promulgated by the Australian Stock Exchange Limited.

Robert Morris is employed by Morris Geological Co. Ltd and has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code of Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Robert Morris consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Robert J. Morris, M.Sc., P.Geo.

Gerald S. Reeves, B.Sc.

18 July 2005

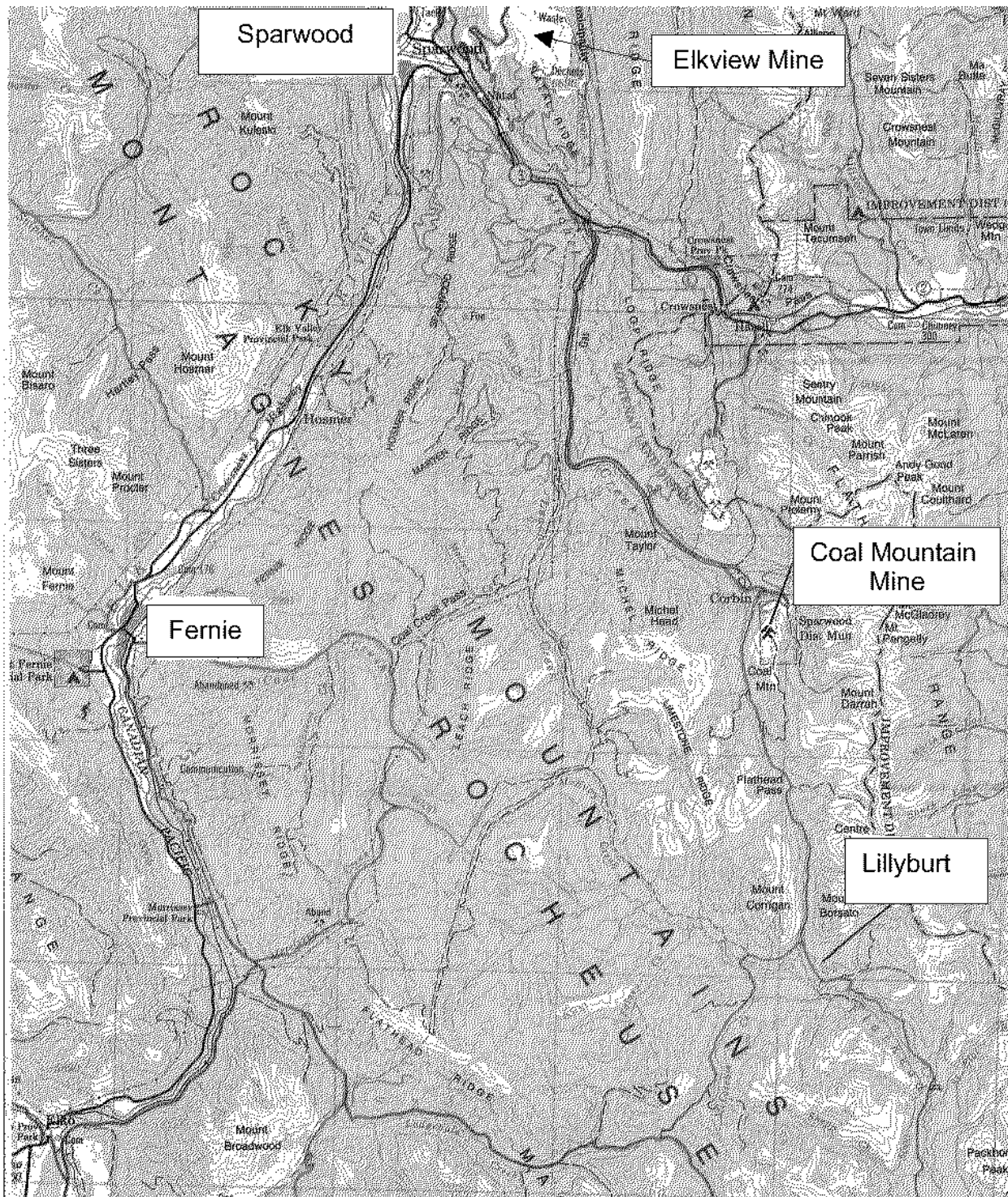


Figure 1: Location map, 1:250,000 scale, showing the Lillyburt property in relation to Fernie, Sparwood, and the Coal Mountain and Elkview mines.

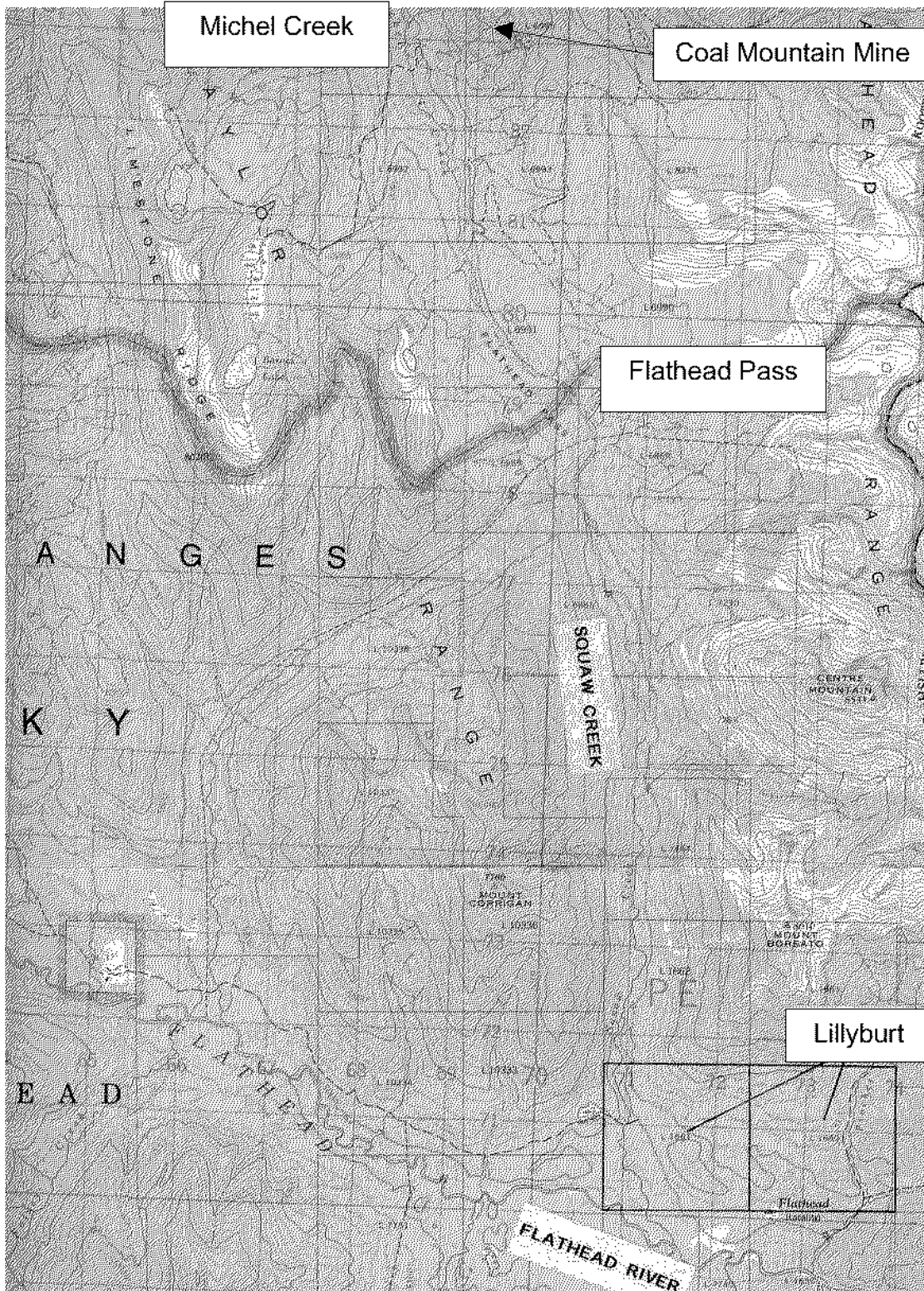


Figure 2: Access map, 1:50,000 scale, showing the Lillyburt property in relation to the Flathead River and Squaw Creek. The Coal Mountain mine is north of Flathead Pass.

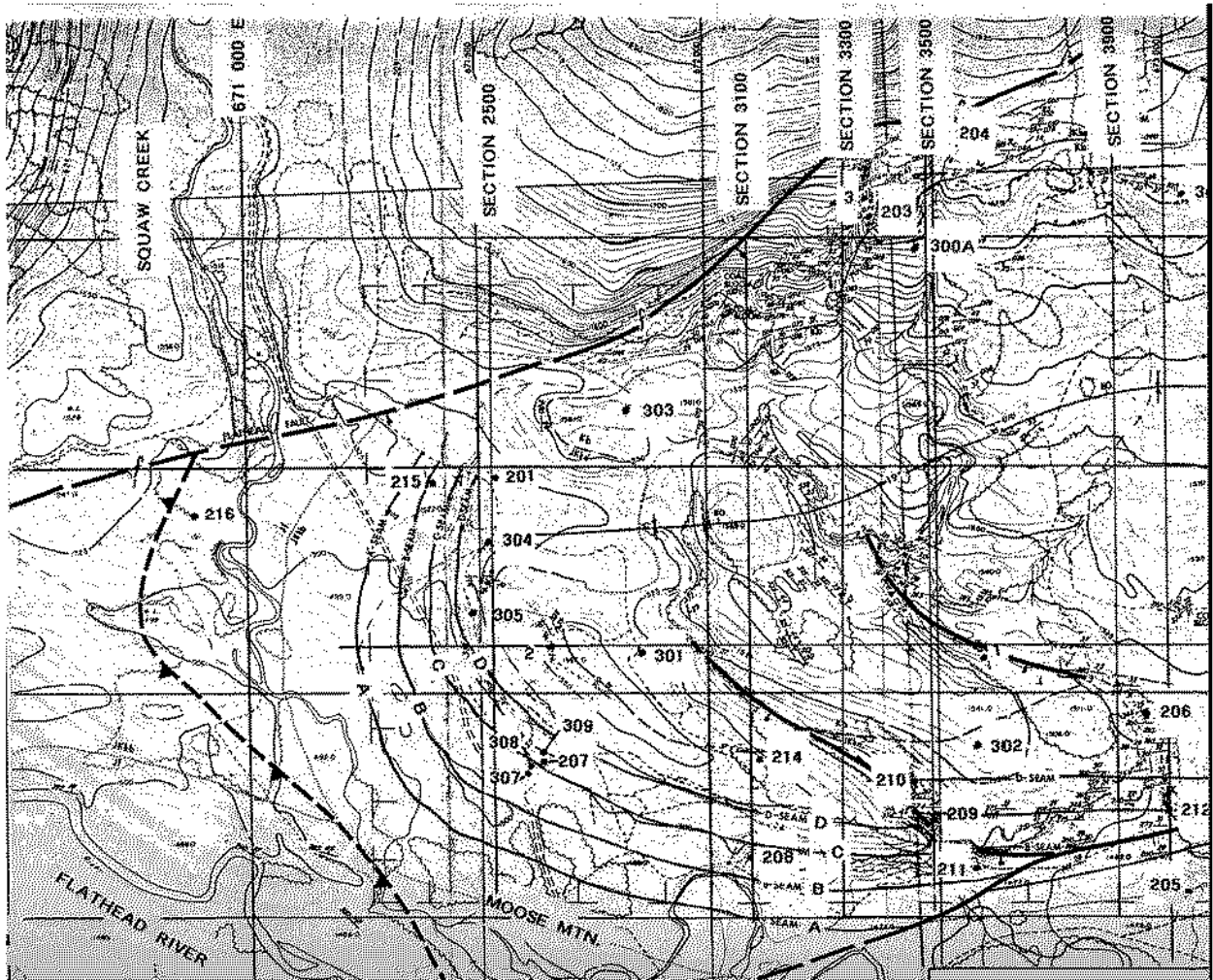


Figure 3: Geology map, 1:10,000 scale; the Flathead River and Squaw Creek are in the south and west respectively. The outcrop trace of the coal seams (Seams A to D) are also shown.

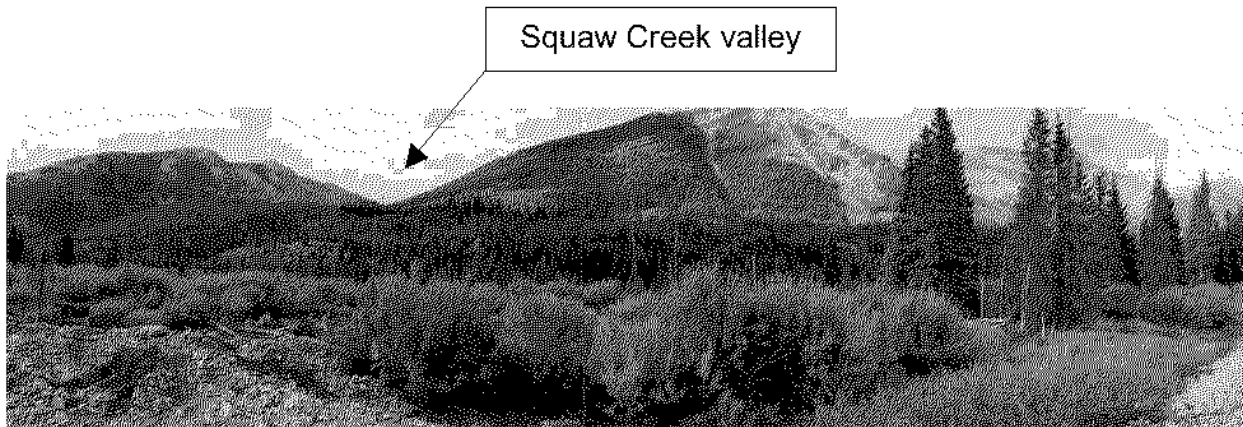


Photo 1: Looking to the north from the Flathead River area. Squaw Creek is in the valley on the left side of the photo, while the low hills in the foreground are part of the Lillyburt property.

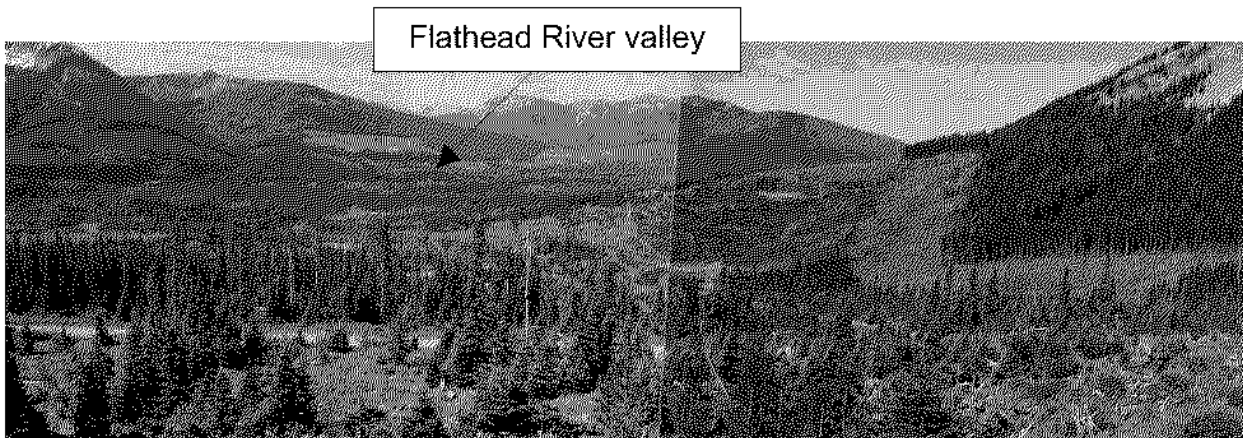


Photo 2: Looking to the southwest. The Flathead River is in the valley through the centre of the photo, while the low hills in the foreground are part of the Lillyburt property.

WASABI ENERGY LIMITED
ABN 24 000 090 997

Instructions for Completing 'Appointment of Proxy' Form

1. A member entitled to attend and vote at a meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.