WASABI ENERGY LIMITED

AND ITS CONTROLLED ENTITIES

ACN 000 090 997

APPENDIX 4E

PRELIMINARY FINAL REPORT

FINANCIAL YEAR ENDED 30 JUNE 2005

Results For Announcement To The Market

Results				A$
Revenues from ordinary activities	down	35%	to	167,777
Loss from ordinary activities after tax attributable to members	up	60%	to	365,246
Net loss for the period attributable to members	up	60%	to	365,246

Dividends	Amount per security	Franked amount per security
Final dividend – no dividend is proposed	n/a	n/a
Previous corresponding period – no dividend declared	n/a	n/a
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) *(see item 15.2)*	n/a	

COMMENTARY ON RESULTS

The net loss after income tax attributable to members of the consolidated entity for the year ended 30 June 2005 was \$365,246 (2004: \$228,224). This equates to a basic loss per share of 0.13 cents (2004: 0.12 cents).

Capital Raising
During the year, Wasabi raised \$2,586,000 by a placement and non-renounceable rights issue. The rights issue, raising \$2,068,000, was underwritten by Cambrian Mining PLC with Cambrian taking an approximate 20% stake in the Company.

Exergy Inc.
Wasabi has increased its interest in Exergy Inc. by the acquisition of the interests of Unotec Holdings AG and QI-X Holdings LDC in Exergy. Following that transaction, Wasabi has approximately 46% of the equity of Exergy and convertible notes with a face value of US\$552,924. Exergy has, subsequent to year end, provided Wasabi with a solicitation statement outlining the terms of a proposed merger with AMP Resources LLC. The merger is subject to Exergy shareholder approval. If the merger proceeds, Exergy shareholders will receive cash payments totalling US\$2 million less certain transaction and legal costs. Under the terms of the merger the Wasabi will receive all money it has lent to Exergy for the convertible notes at the Australian dollar cost plus interest incurred at 12% per annum. This transaction also requires the approval of Wasabi shareholders prior to completion.

The terms of the Exergy merger also allow for Wasabi to enter into a non-exclusive joint venture agreement with an affiliate of AMP Resources LLC to utilize the Exergy patents and improvements within China, India, South Korea, Malaysia and the Philippines. Wasabi will have an initial 75% interest in the joint venture entity for a \$1 million dollar investment over two years.

Lillyburt Coal Property Joint Venture
Wasabi negotiated and finalized, subsequent to year-end, a joint venture agreement with Western Canadian Coal Corp to earn up to a 50% interest in the Lillyburt coal property located in British Columbia, Canada. The consolidated entity can earn up to a 50% interest in the property by the expenditure of C\$2.5 million by December 2008 on the exploration and development of the project. The joint venture is subject to approval of shareholders of Wasabi Energy Limited.

Dividends

There have been no dividends paid or declared since the end of the previous financial year.

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated 2005 $	Consolidated 2004 $
Proceeds on the sale of other financial assets	59,835	188,146
Other revenue from ordinary activities	106,742	69,650
Revenue from outside operating activities	1,200	1,200
Total revenue	167,777	258,996
Shareholder communication costs	(8,405)	(14,209)
Depreciation and amortisation	(3,158)	(3,151)
Employee costs	(156,440)	(166,460)
Borrowing costs	(1,513)	(1,222)
Write off bad debts	-	(1,650)
Write down in the value of other financial assets	-	(2,252)
Professional costs	(146,489)	(56,338)
Utilities	(5,743)	(4,698)
Cost of assets disposed	(47,295)	(138,085)
Foreign exchange loss	(52,756)	(16,788)
ASX costs	(36,658)	(18,223)
Travel costs	(37,493)	(10,777)
Other expenses from ordinary activities	(37,073)	(19,147)
Provision for diminution of convertible notes	-	(34,206)
	(533,023)	(487,220)
Loss from ordinary activities before related income tax expense	(365,246)	(228,224)
Income tax benefit/(expense) relating to ordinary activities	-	-
Net loss	(365,246)	(228,224)
Basic loss per share	(0.13) cents	(0.12) cents

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2005

	Consolidated 2005 $	Consolidated 2004 $
CURRENT ASSETS		
Cash assets	2,302,666	684,525
Receivables	18,246	1,100
Other financial assets	530,293	47,250
TOTAL CURRENT ASSETS	2,851,206	732,875
NON-CURRENT ASSETS		
Property, Plant and Equipment	4,833	7,582
TOTAL NON-CURRENT ASSETS	4,833	7,582
TOTAL ASSETS	2,856,039	740,457
CURRENT LIABILITIES		
Payables	76,364	77,477
Interest bearing liabilities	-	-
TOTAL CURRENT LIABILITIES	76,364	77,477
TOTAL LIABILITIES	76,364	77,477
NET ASSETS	2,779,675	662,980
EQUITY		
Contributed equity	11,715,714	9,233,773
Accumulated losses	(8,936,039)	(8,570,793)
TOTAL EQUITY	2,779,675	662,980

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	Consolidated 2005 $	2004 $
Cash flows from operating activities		
Cash receipts in the course of operations	1,320	6,490
Cash payments in the course of operations	(554,531)	(320,847)
Interest received	63,859	18,657
Interest paid	-	(802)
Income taxes (paid)/received	-	-
Net cash used in operating activities	(489,352)	(296,502)
Cash flows from investing activities		
Payments for plant and equipment	-	-
Payments for acquisition other financial assets	(407,955)	(185,559)
Proceeds from sale of other financial assets	59,835	186,290
Net cash used in investing activities	(348,120)	731
Cash flows from financing activities		
Repayment of borrowings	-	(15,449)
Proceeds from borrowings	-	-
Proceeds from issue of shares	2,590,513	648,700
Transaction costs from issue of shares	(134,900)	(17,829)
Net cash provided by financing activities	2,455,613	615,422
Net increase/(decrease) in cash held	1,618,341	319,651
Cash at the beginning of the financial year	684,525	364,874
Cash at the end of the financial year	2,302,666	684,525

Notes to the consolidated statement of cash flows

Reconciliation of cash

Cash at bank	2,302,666	684,525

1. BASIS OF PREPARATION

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2004 annual financial report.

2. FINANCIAL POSITION

Convertible Notes

The consolidated entity holds unsecured convertible notes in Exergy Inc. acquired in January and May 2002. Exergy Inc. was incorporated in California on 1 March 1998 to license the Kalina Cycle Technology ("the Technology") and to develop the Technology commercially through its own activities (including construction of a demonstration facility) and through licenses to other companies and government entities, and to provide engineering consulting services to users of the Technology.

Exergy Inc. has not had the financial capacity to repay the convertible notes.

A provision for diminution of the gross value (including accrued interest) was established at 31 December 2002 and at 30 June 2005 is $616,492 (2004: $620,171). The directors have continued this treatment for the current period for these notes. Refer to Note 6 for the treatment of convertible notes acquired during June 2005.

The directors continue to believe the Kalina cycle technology has substantial merit and therefore that the value of the convertible notes will be realised. A proposed merger between Exergy Inc. and AMP Resources LLC supports this belief. The merger is subject to Exergy Inc. shareholder approval that should be determined by 30 September 2005.

Going Concern

The consolidated entity has incurred a loss from ordinary activities of $351,396 (2004: $228,224). The consolidated entity had working capital of $2,774,841 at 30 June 2005 (2004: $655,398).

The financial statements have been prepared on a going concern basis that contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business.

	Consolidated	
	2005	**2004**
	$	**$**
3. REVENUE FROM ORDINARY ACTIVITIES		
Revenue from operating activities:		
Other income:		
Interest other parties - bank	63,859	18,656
- convertible notes	42,883	50,994
Other	1,200	1,200
Revenue from outside operating activities:		
Proceeds from sale of other financial assets	59,220	188,146
	167,162	258,996

	Consolidated 2005 $	2004 $
4. OPERATING LOSS		
Included in operating loss are the following items of expense		
Depreciation of plant and equipment	3,158	3,151
Write down in value of other financial assets to market	-	2,252
Net (gain)/loss from sale of other financial assets	(12,539)	(50,061)
Individually significant items in loss from ordinary activities before income tax expense: Diminution of value of convertible notes	-	34,206
5. LOSS PER SHARE		
Basic loss per share	(0.13) cents	(0.12) cents
Weighted average number of ordinary shares used in the calculation of basic earnings per share	272,312,790	183,375,209

Potential ordinary shares on issue are not considered dilutive and accordingly diluted earnings per share is the same as basic earnings per share.

	Consolidated 2005 $	2004 $
6. OTHER FINANCIAL ASSETS		
Convertible note - Exergy Inc. (including accrued interest)	616,492	620,171
Provision for diminution of value of convertible note and accrued interest	(616,492)	(620,171)
Unlisted shares, convertible notes and accrued interest in Exergy Inc. (acquired 2 June 2005) at cost	530,293	-
Listed shares at current market value	-	47,250
	530,293	47,250

Convertible note – Exergy Inc.
The consolidated entity loaned US$250,000 and US$82,924 on 9 January 2002 and 23 May 2002 respectively, to an unlisted United States of America corporation, Exergy Inc. The loans have been issued by way of convertible notes. The notes are convertible into common stock in Exergy Inc. The convertible notes currently carry interest at the rate of 12% per annum. The contracted repayment dates were 5 July 2002 for the initial loan and 30 September 2002 for the second loan. The loans are to be repaid in United States currency. Accrued interest has been included in this balance.

The financial effect of the change in exchange rates as at balance date have been brought to account, with any gain or loss included in the statements of financial performance for the year.

The directors have in prior years provided for the diminution of the gross value of the loan amounts including accumulated interest. The directors have continued this treatment for the current period for these notes until the certain outcome of the Exergy Inc. merger proposal.

6. OTHER FINANCIAL ASSETS (CONTINUED)

Unlisted shares, convertible notes and accrued interest – Exergy Inc.
On 2 June 2005, the consolidated entity acquired loans (convertible notes) and equity in Exergy Inc. from Unotec Holdings AG and QI-X Holdings LDC for US$400,000. The directors have elected to carry this investment at cost (less any financial effects of changes in the exchange rates at balance date) on the basis that they hope to receive the full benefit of the investment following the merger of Exergy Inc. with AMP Resources LLC. The merger is subject the approval of Exergy Inc. shareholders.

	Consolidated	
	2005	**2004**
	$	**$**
7. CONTRIBUTED EQUITY		
Issued and paid up capital 377,974,211 (2004: 216,112,094) ordinary shares fully paid	11,715,714	9,233,773
Fully Paid Ordinary Shares		
Movement in share capital is represented by:		
Opening share capital	9,233,773	8,602,902
49,900,000 shares issued at 1.3 cent each	-	648,700
161,681,2688 shares issued at 1.6 cents each	2,586,900	-
Less share issue costs	(108,576)	(17,829)
180,849 shares issued at 2 cents each on exercise of options	3,617	-
Closing share capital	11,715,714	9,233,773

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

Listed Options
During the financial year the consolidated entity issued, pursuant to a Rights Issue, 129,264,454 listed options exercisable at $0.02 per share expiring 31 December 2006. The options were issued at no cost to existing shareholders. The listed options carry no voting rights until converted to fully paid ordinary shares.

During the period, 180,849 options were exercised. As at 30 June 2005 there were 129,083,605 listed options on issue.

Unlisted Director Options
During the financial year the consolidated entity issued, following shareholder approval, 10,000,000 unlisted participating Director options exercisable at $0.02 per share expiring 10 February 2007. The options were issued at no cost to a nominee of director, Mr T Wise. The Director options carry no voting rights until converted to fully aid ordinary shares. The options may participate in pro rata issues to holders of ordinary shares.

No options were exercised during the period.

Incentive Shares
During the 2000 financial year the Company purchased 100% of the issued shares in Insurance My Way Australia Pty Ltd. Part of the consideration to the vendors was the vendors' right to receive up to a further 30 million incentive shares to be issued subject to performance criteria. As at 30 June 2004 the criteria had not been met and accordingly none of the incentive shares have been issued.

	Consolidated 2005 $	2004 $
8. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	(8,570,793)	(8,342,569)
Net loss for the year attributable to members of the parent entity	(365,246)	(228,224)
Accumulated losses at end of year	(8,936,039)	(8,570,793)

9. COMMITMENTS

The consolidated entity did not have any future commitments at year end.

10. SEGMENT REPORTING

The consolidated entity has convertible notes in a US domiciled company. At the end of the financial year the consolidated entity had no other operations.

11. EVENTS SUBSEQUENT TO BALANCE DATE

Exergy Inc. provided the consolidated entity with a solicitation statement outlining the terms of a proposed merger with AMP Resources LLC. The merger is subject to Exergy shareholder approval. If the merger proceeds, Exergy shareholders will receive cash payments totalling US$2 million less certain transaction and legal costs. Under the terms of the merger the consolidated entity will receive all money it has lent to Exergy for the convertible notes at the Australian dollar cost plus interest incurred at 12% per annum. The terms of the merger also allow for a non-exclusive joint venture agreement with an affiliate of AMP Resources LLC to utilize the Exergy patents and improvement within China, India, South Korea, Malaysia and the Philippines. The consolidated entity will have an initial 75% interest in the joint venture entity for a $1 million dollar investment over two years.

On 10 August 2005, the consolidated entity announced that it had entered into a joint venture agreement with Western Canadian Coal Corp to earn up to a 50% interest in the Lillyburt coal property located in British Columbia, Canada. The consolidated entity can earn up to a 50% interest in the property by the expenditure of C$2.5 million by December 2008 on the exploration and development of the project. The joint venture is subject to approval of shareholders of Wasabi Energy Limited.

On 10 August 2005, Mr Robert Reynolds and Mr Robert Vallender were appointed as additional directors of Wasabi Energy Limited.

12. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Australian Accounting Standards Board (AASB) has issued Australian equivalents to International Financial Reporting Standards ("A-IFRS") for application to reporting periods beginning on or after 1 January 2005. The consolidated entity has commenced reviewing the transition from its current policies to A-IFRS. The adoption of A-IFRS will be first reflected in the financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Under AASB1 the consolidated entity, in complying with A-IFRS for the first time is required to restate its comparative financial statements to amounts reflecting the application of A-IFRS to that comparative period. Most adjustments required on transition to A-IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

12. IMPACTS OF ADOPTING THE AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

The consolidated entity has substantially completed the assessment of accounting policy alternatives on transition to A-IFRS, and A-IFRS accounting policies that will be adopted from 1 July 2005. In addition, the consolidated entity is in the process of completing the analysis of the likely impact on the results and financial position of the consolidated entity.

Key areas where accounting policies are likely to change and may impact on the financial statements of the consolidated entity include the following:

(a) Income Tax

In accordance with Australian Standard AASB 112 Income Taxes, deferred tax balances are determined using the balance sheet method which calculates temporary differences based on the carrying amounts of the consolidated entity's assets and liabilities in the statement of financial position and their associated tax bases. This represents a fundamental change to the way the consolidated entity currently calculates its tax balances, where deferred tax balances are determined using the income statement method. The consolidated entity is currently evaluating the impacts of AASB 112 on the financial statements of the consolidated entity. The consolidated entity have carried forward tax losses which have not been recognised as deferred tax assets in the 30 June 2005 financial statements as they do not satisfy the 'virtually certain' criteria under current Australian GAAP. Although the evaluation of the impacts of AASB 112 is not complete, the consolidated entity believes that these losses will also not be recognised as deferred tax assets under A-IFRS because at this stage it is believed that they will not meet the 'probable' recognition criteria under A-IFRS. The consolidated entity may also be required to recognised additional deferred tax liabilities on transition to A-IFRS, however the impacts, if any, is not yet determinable.

(b) Share Based Payments

Under Australian Standard AASB 2 *Share-based Payment*, the consolidated entity will be required to determine the fair value of options issued to employees and recognise an expense in the Statement of Financial Performance. For options on issue on the application of AASB 2 an adjustment for their recognition will be made against opening retained earnings. The consolidated entity issued 10,000,000 share options on 11 February 2005 that are fully vested.

As a consequence share based payment expense will increase by $136,122 for the year ended 30 June 2005 and be recognised as an employee equity – settled benefit reserve.

(c) Revenue

Although not impacting upon the profit of the consolidated entity, the adoption of A-IFRS will result in a number of transactions being recorded on a "net" rather than "gross" basis. In addition the adoption of A-IFRS results in the reclassification of proceeds from the sale of non current assets from "revenue from ordinary activities" to "other income and expense" items in the statement of financial performance.

As a consequence, proceeds from the sale of other financial assets will decrease by $59,835 and the cost of other financial assets disposed will decrease by $47,295. The difference is a gain on sale of other financial assets of $12,539 that will be recognised for the financial year ended 30 June 2005 as part of "other income". This is a reclassification and will not impact upon the profit and loss of the consolidated entity.

(d) Financial Instruments

The Company and Consolidated Entity have elected not to retrospectively apply AASB132 and 139. Accordingly there are no financial impacts on the financial statements in relation to these two standards as at 30 June 2005.

(e) Property, plant and Equipment

On initial adoption of A-IFRS items of plant and equipment are measured at the A-IFRS cost. The directors have not elected to use fair value or revaluation as deemed cost to measure an item of property, plant and equipment.

13. NTA BACKING

	Consolidated 2005	2004
Net tangible asset backing per ordinary security	0.74 cents	0.31 cents

14. COMPLIANCE STATEMENT

This report is based on accounts that are in the process of being audited.

TIMOTHY WISE
DIRECTOR
13 September 2005