



wasabi
energy

WASABI ENERGY LIMITED

ACN 000 090 997

ANNUAL REPORT

30 JUNE 2005

CORPORATE DIRECTORY

Directors:	T N Wise – Managing Director W R Blakeney – Non-Executive Director F Reid – Non-Executive Director R J Reynolds – Non-Executive Director R Vallender – Non-Executive Director
Company Secretary:	Tim Wise Phillip MacLeod
Registered Office:	139 Victoria Street Mosman Park WA 6012
Principal Place of Business:	139 Victoria Street Mosman Park WA 6012
Share Registry:	Computershare Registry Services Pty Limited Level 2, Reserve Bank Building 45 St Georges Terrace Perth WA 6000 Telephone: (61 8) 9323 2000 Facsimile: (61 8) 9323 2033
Bankers:	Westpac Banking Corporation Limited 109 St George’s Terrace Perth WA 6000
Auditors:	KPMG Central Park 152-158 St George’s Terrace Perth WA 6000
Solicitors:	Steinepreis Paganin Chancery House 37 St George's Terrace Perth WA 6000
Stock Exchange	The Company is listed on the Australian Stock Exchange. The Home Exchange is Perth.
Other Information:	Wasabi Energy Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

MANAGING DIRECTORS' LETTER

Dear Shareholder,

Wasabi has had a good year making excellent progress in all areas of its business.

Some of the highlights include:

Lillyburt Coal Property Joint Venture

The Company negotiated and entered into the Lillyburt Joint Venture with Western Canadian Coal Corp. The Lillyburt property has had just under C\$1M spent on it in the early 1980's by Shell. Shell's results indicate that the Lillyburt coal property is certainly worthy of further investigation. The increased price and demand of PCI and coking coal over recent years add to the incentive to investigate the property. Lillyburt is close to existing rail and port infrastructure and is also close to an existing coal producer that may have future feed requirements for their mill.

Wasabi has commissioned the compilation of previous data by a local consultant to determine the targets for drilling in the first quarter of next year. The purpose of the drilling is not to determine the existence of coal but rather to confirm the quality and volume of the coal deposit and to assess the economic potential of the project.

Exergy Inc.

Wasabi has increased its stake in the Californian energy technology company, Exergy Inc., to 46 % of the common stock and 100% of the Preference shares. In addition, Wasabi holds convertible notes in Exergy of approximately US\$550,000 with interest accruing at 12% per annum. Exergy's licensees continue to make excellent progress with a number of projects expected to be completed in the next few years. Wasabi's opinion is that Exergy's "Kalina Cycle" is set to become the one of the more significant technology developments in geothermal and waste heat energy production. The Kalina Cycle has significant efficiency and scalability advantages over some competing technologies. Exergy's licensees and sub-licensees include Siemens (Europe), AMP Resources (USA), Geodynamics Limited (Australia), X-Orka (Iceland) and Ebara Corporation (Japan). Of these licensees both Ebara and X-Orka have been operating plants and providing power to industry and a small fishing village respectively. All other licensees have projects in the pipeline, some of which will be amongst the biggest installations of their kind in world.

New Directors

Wasabi has appointed two new directors to the Board in Bob Reynolds and Bob Vallender. Bob Reynolds has substantial coal mining and marketing skills and was previously with BHP for many years.

Bob Vallender is a marketing and sales consultant to the iron and steel and primary metals industry and is the only representative in Australia for Danieli Corus. Danieli Corus is a joint venture of the Italian equipment maker, Danieli and Dutch metal product group, Corus and is a world-class supplier of equipment and technology to the primary metals industry.

Capital Raising

Completed capital raisings of over \$2.5 million to provide the Company with the ability to progress its projects and seeing Cambrian Mining Plc increase its stake in Wasabi to approximately 22%.

Yours sincerely

Tim Wise
Managing Director

DIRECTORS REPORT

The directors present their report together with the financial report of Wasabi Energy Limited (“the Company” or “Wasabi”) and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the year ended 30 June 2005 and the auditor’s report thereon.

Directors

The directors of the Company at any time during or since the end of the period are:

Name	Age	Experience and Special Responsibilities
Timothy Wise Chairman & Managing Director Joint Company Secretary	40	B.Sc. Mr Wise is the executive responsible for the day to day management of the Company. Mr Wise has owned and operated many companies over the last 14 years. He has extensive experience in both the business-to-consumer and the business-to-business market. Mr Wise was the co-founder and Chief Executive Officer of “The Tap Doctor” a national plumbing service franchise. He holds a Bachelor of Science from the University of Western Australia. Appointed 4 January 2000.
Wayne Blakeney Non-Executive Director	49	Mr Blakeney brings over 20 years of general business and marketing experience to the Company. Mr Blakeney has successfully developed a life insurance and financial planning agency and an insurance management company – Surety Group, gaining extensive experience in managing insurance advisers. Appointed 4 January 2000. Resigned 1 March 2001. Reappointed 1 April 2001.
Dr Frank Reid Non Executive Director	55	Dr Reid has a PhD in Geochemistry, which he has applied to the area of power development in numerous countries. He was a senior manager for several years with Western Mining Corporation Ltd in the United States managing Western Mining’s Venture Capital arm in Boston. He has since been with the Australian Co Operative Research Centre for Renewable Energy. (ACRE). Appointed 13 May 2002.
Robert Reynolds Non Executive Director	50	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. Appointed 10 August 2005
Robert Vallender Non Executive Director	61	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. Appointed 10 August 2005

Company Secretary

Mr Phillip MacLeod was appointed to the position of company secretary in December 2004. Mr MacLeod has 19 years commercial experience and has previously held the position of company secretary with other listed public companies since 1995. Mr Macleod is also company secretary for Midas Resources Limited since January 2004 and VibraQ Corporation Limited since November 2003.

Directors' Meetings

The number of directors' meetings held and number of meetings attended by each of the directors of the Company during the year are:

Name	Meetings	
	Held	Attended
Timothy Wise	6	6
Wayne Blakeney	6	6
Frank Reid	6	5
Robert Reynolds	-	-
Robert Vallender	-	-

The Company does not have any committees. Matters usually considered by an audit, remuneration or nomination committee were dealt with by the directors during regular Board meetings.

Principal activities

The principal activities of the consolidated entity are:

- Assessing business opportunities
- Managing an investment in Exergy Inc.

Review and results of operations

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).

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 was 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 Wasabi was to 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 shareholder approval was granted on 28 September 2005. On that same day AMP Resources LLC indicated that they would be withdrawing from the proposed merger.

The terms of the Exergy merger also allowed 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 was to have an initial 75% interest in the joint venture entity for a \$1 million dollar investment over two years. The status of the joint venture is uncertain at the date of this report.

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.

Dividends

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

State of Affairs

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.

There were no other significant changes in the state of affairs of the Company during the year ended 30 June 2005.

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 if the transaction proceeds. Wasabi shareholder approval was granted to dispose of the Company's interests in Exergy. However, on 28 September 2005, AMP Resources LLC indicated they would be withdrawing from the proposed merger. At the date of this report the outcome of the transaction is uncertain.

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. Wasabi shareholder approval for the joint venture was granted on 28 September 2005.

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

Likely developments

Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

Remuneration Report

The Board of Directors and Senior Management is responsible for making recommendations to the Board on remuneration policies and packages applicable to the Board members and senior executives of the Company. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

Executive Directors and senior executives may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow).

Directors' and senior executives' remuneration

Details of the nature and amount of each major element of the remuneration of each director of the Company and each of the executive officers of the Company and the consolidated entity for the period to 30 June 2005 are:

		Primary	Post Employment	Equity	Total	Proportion of remuneration performance related	Value of options as proportion of remuneration
		Base remuneration (salary & fees)	Super contributions	Options			
		\$	\$	\$	\$	%	%
Director							
Non-executive							
F Reid	2005	30,000	-	-	30,000		-
	2004	35,000	-	-	35,000	-	-
W Blakeney	2005	20,000	1,800	-	21,800	-	-
	2004	20,000	1,800	-	21,800	-	-
R Reynolds	2005	-	-	-	-	-	-
(appointed 10 Aug 2005)	2004	-	-	-	-	-	-
R Vallender	2005	-	-	-	-	-	-
(appointed 10 Aug 2005)	2004	-	-	-	-	-	-
Executive							
T Wise	2005	96,000	8,640	136,122	240,762	-	56.5%
	2004	96,000	8,640	-	104,640	-	-
Total	2005	146,000	10,440	136,122	292,562		
	2004	151,000	10,440	-	161,440		
Specified Executive							
P MacLeod	2005	24,000	-	-	24,000	-	-
(appointed 24 Dec 2004)	2004	-	-	-	-	-	-

Options

The fair value of the Director options has been ascertained using the Black-Scholes valuation method and is based upon the following inputs and assumptions:

- a) share issue price at time of seeking approval for grant was 2.4 cents;
- b) an estimated volatility factor of 138%;
- c) option exercise price of 2 cents each;
- d) a risk free rate of 5.25%; and
- e) a term to expiry of 24 months.

In deriving the valuation, the Black-Scholes method relies on the following assumptions:

- a) the Director Options can be exercised at any time during the period;
- b) there are no transaction costs and the securities are infinitely divisible and information is available to all without cost; and
- c) the risk free interest rate is known and constant throughout the duration of the option contract.

Directors' Interests

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with S205G (1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary Shares	Options (unlisted)	Options (listed)
T Wise	14,510,929	10,000,000	8,170,310
F Reid	-	-	-
W Blakeney	6,321,204	-	2,107,065
R Reynolds	600,000	-	-
R Vallender	-	-	-

Share Options

Options granted to directors' and officers of the Company

During the financial year the Company 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 paid ordinary shares.

During the year the Company granted options for no consideration over unissued ordinary shares in the Company to shareholders pursuant to a pro-rata rights issue. The following directors and officers received these options by virtue of their shareholding in the Company. The options were not granted as part of their remuneration.

	Number of options granted	Exercise price	Expiry date
W Blakeney	2,107,065	\$0.02	31 December 2006
P MacLeod	267,782	\$0.02	31 December 2006
T Wise	8,170,310	\$0.02	31 December 2006

All options were granted during the financial year. No options have been granted since the end of the financial year.

Unissued shares under option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise price	Number of shares
31 December 2006	\$0.02	129,083,605 (1)
10 February 2007	\$0.02	10,000,000 (2)
		139,083,605

- (1) During the financial year, the Company issued 180,849 fully paid ordinary shares as a result of the exercise of options. No options have been exercised since the end of the period. These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.
- (2) No options were exercised during or since the end of the financial year. These options may participate in pro rata issues to holders of ordinary shares in the Company.

Audit Committee

The Company and its Board are not of a size that justifies having a separate Audit Committee. Matters typically dealt with by an Audit Committee are dealt with by the full Board.

Indemnification

The Company has in place a deed to indemnify directors and senior officers of the Company and its controlled entities against all liabilities to another person that may arise from their position, except where the liability arises out of conduct involving lack of good faith.

The Company has not provided any insurance or indemnification for the Auditor of the Company.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set on page 8 and forms part of the directors' report for the financial year ended 30 June 2005.

Dated at Perth this 30th day of September 2005

Signed in accordance with a resolution of the directors.

W BLAKENEY
Director



Lead Auditor's Independence Declaration under Section 307C of the Corporation Act 2001

To: the directors of Wasabi Energy Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2005 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

B + S

B P STEEDMAN
Partner

Perth
30 September 2005



**STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
Proceeds on sale of other financial assets	2	59,835	188,146	59,835	188,146
Other revenue from ordinary activities	2	106,742	69,650	106,742	69,650
Revenue from outside operating activities	2	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total revenue		<u>167,777</u>	<u>258,996</u>	<u>167,777</u>	<u>258,996</u>
Depreciation and amortisation		(3,158)	(3,150)	(3,158)	(3,150)
Employee and directors costs		(156,440)	(166,460)	(156,440)	(166,460)
Borrowing costs		(1,513)	(1,222)	(1,513)	(1,222)
Write off bad debts		-	(1,650)	-	(1,650)
Write down in value of other financial assets		-	(2,252)	-	(2,252)
Professional fees		(146,489)	(56,338)	(146,489)	(56,338)
Cost of assets disposed		(47,295)	(138,085)	(47,295)	(138,085)
Foreign exchange loss		(9,923)	(16,788)	(9,923)	(16,788)
Administration costs		(125,372)	(67,069)	(125,272)	(67,069)
Provision for diminution of convertible notes		<u>(42,833)</u>	<u>(34,206)</u>	<u>(42,833)</u>	<u>(34,206)</u>
		(533,023)	(487,220)	(532,923)	(487,220)
Loss from ordinary activities before related income tax expense		(365,246)	(228,224)	(365,146)	(228,224)
Income tax benefit/(expense) relating to ordinary activities	5	-	-	-	-
Net loss	12	<u>(365,246)</u>	<u>(228,224)</u>	<u>(365,146)</u>	<u>(228,224)</u>
Basic loss per share	6	<u>(0.13) cents</u>	<u>(0.12) cents</u>		
Diluted loss per share	6	<u>(0.13) cents</u>	<u>(0.12) cents</u>		

The statements of financial performance are to be read in conjunction with the accompanying notes to and forming part of the financial statements.

**STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2005**

	Note	Consolidated		The Company	
		2005 \$	2004 \$	2005 \$	2004 \$
CURRENT ASSETS					
Cash assets	19(i)	2,302,666	684,525	2,302,666	684,425
Receivables	7	18,246	1,100	18,246	1,100
Other financial assets	8	530,294	47,250	530,293	47,250
TOTAL CURRENT ASSETS		2,851,206	732,875	2,851,205	732,775
NON-CURRENT ASSETS					
Other financial assets	8	-	-	4	4
Property, Plant and Equipment	9	4,833	7,582	4,833	7,582
TOTAL NON-CURRENT ASSETS		4,833	7,582	4,837	7,586
TOTAL ASSETS		2,856,039	740,457	2,856,042	740,361
CURRENT LIABILITIES					
Payables	10	76,364	77,477	72,213	73,327
TOTAL CURRENT LIABILITIES		76,364	77,477	72,213	73,327
TOTAL LIABILITIES		76,364	77,477	72,213	73,327
NET ASSETS		2,779,675	662,980	2,783,829	667,034
EQUITY					
Contributed equity	11	11,715,714	9,233,773	11,715,714	9,233,773
Accumulated losses	12	(8,936,039)	(8,570,793)	(8,931,885)	(8,566,739)
TOTAL EQUITY		2,779,675	662,980	2,783,829	667,034

The statements of financial position are to be read in conjunction with the accompanying notes to and forming part of the financial statements.

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005**

	Note	Consolidated		The Company	
		2005	2004	2005	2004
		\$	\$	\$	\$
Cash flows from operating activities					
Cash receipts in the course of operations		1,200	6,490	1,200	6,490
Cash payments in the course of operations		(457,992)	(320,847)	(457,992)	(320,847)
Interest received		63,859	18,657	63,859	18,657
Interest paid		-	(802)	-	(802)
Net cash used in operating activities	19(ii)	<u>(392,933)</u>	<u>(296,502)</u>	<u>(392,933)</u>	<u>(296,502)</u>
Cash flows from investing activities					
Payments for plant and equipment		(409)	-	(409)	-
Payments for acquisition of other financial assets		(530,293)	(185,559)	(530,293)	(185,559)
Proceeds from sale of other financial assets		59,835	186,290	59,835	186,290
Net cash provided (used) by investing activities		<u>(470,867)</u>	<u>731</u>	<u>(470,867)</u>	<u>731</u>
Cash flows from financing activities					
Repayment of borrowings		-	(15,449)	-	(15,449)
Proceeds from issue of shares		2,590,517	648,700	2,590,517	648,700
Share issue costs		(108,576)	(17,829)	(108,576)	(17,829)
Net cash provided by financing activities		<u>2,481,941</u>	<u>615,422</u>	<u>2,481,941</u>	<u>615,422</u>
Net increase in cash held		1,618,141	319,651	1,618,241	319,651
Cash at the beginning of the financial year		684,525	364,874	684,425	364,774
Cash at the end of the financial year	19(i)	<u>2,302,666</u>	<u>684,525</u>	<u>2,302,666</u>	<u>684,425</u>

The statements of cash flows are to be read in conjunction with the accompanying notes to and forming part of the financial statements.

Notes to the Financial Statements
For the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been adopted in the preparation of this financial report are:

(a) **Basis of preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of assets.

The accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) **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 8 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 Ltd was terminated prior to completion, however, all parties are continuing to work towards an alternative settlement that will realise value to Wasabi's investment.

Going Concern

The consolidated entity has incurred a loss from ordinary activities of \$365,246 (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.

Notes to the Financial Statements
For the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the parent entity, and its controlled entities (the "consolidated entity").

Where an entity either began or ceased to be controlled during the year, the results are included only from the date control commenced or up to the date control ceased.

Outside equity interests in the equity and the results of the entities are shown as a separate item in the consolidated financial statements.

The balances and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

(d) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of GST payable to the taxation authority. Exchange of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Sales revenue

Sales revenue comprises commission earned from the provision of services to entities outside of the consolidated entity.

Sales revenue is recognised when commission is earned.

Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial assets.

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(e) Taxation

Income tax

The company adopts the income statement liability method of tax effect accounting.

Income tax expense is calculated on the profit from ordinary activities adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain.

Notes to the Financial Statements
For the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Non-current assets

The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts the relevant cash flows have not been discounted to their present value.

(g) Accounts receivable

Trade debtors comprise amounts owing by third parties. Trade debtors to be settled within 60 days are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision made for any doubtful amounts.

(h) Investments

Controlled entities

Investments in controlled entities are carried in the company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are declared by the controlled entities.

Other entities

Investments in other listed entities are measured at fair value, being quoted market prices at reporting date.

(i) Property, plant and equipment

Acquisition

Items of property, plant and equipment are initially recorded at cost and depreciated on a straight line basis as outlined below.

Depreciation and amortisation

Items of property, plant and equipment, are depreciated over their estimated useful lives, as follows:

	2005	2004
Plant and equipment	20%-40% straight line	20% - 40% straight line

Assets are depreciated or amortised from the date of acquisition.

(j) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled between 30 and 45 days.

(k) Interest bearing liabilities

Loans payable are recognised at their principal amounts. Interest is accrued at the contracted rates and included in the liability.

Notes to the Financial Statements
For the year ended 30 June 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(m) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

(n) Foreign currency translation

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change.

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
2. REVENUE FROM ORDINARY ACTIVITIES				
Revenue from operating activities:				
Other income:				
Interest other parties – bank	63,859	18,657	63,859	18,657
– convertible notes	42,883	50,993	42,883	50,993
Proceeds from sale of other financial assets	59,835	188,146	59,835	188,146
Other	1,200	1,200	1,200	1,200
	<u>167,777</u>	<u>258,996</u>	<u>167,777</u>	<u>258,996</u>
3. OPERATING LOSS				
Loss from ordinary activities before income tax expense has been arrived at after charging/(crediting) the following				
Depreciation of plant and equipment	3,158	3,150	3,158	3,150
Write down in value of other financial assets to market	-	2,252	-	2,252
Net (gain) on sale of other financial assets	(12,539)	(50,061)	(12,539)	(50,061)
Provision for diminution of value of convertible notes	-	34,206	-	34,206
Carrying of financial assets disposed	(47,250)	-	(47,250)	-

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
4. AUDITORS REMUNERATION				
Audit and review services by auditors of the Company				
– KPMG	16,000	14,500	16,000	14,500
5. TAXATION				
Prima facie income tax benefit calculated at 30% (2004: 30%) on the loss from ordinary activities	(109,574)	(68,467)	(109,544)	(68,467)
Decrease in income tax benefit due to:				
Non tax deductible expenses	608	1,008	608	1,008
Future income tax benefit not brought to account	108,966	67,459	108,966	67,459
Total income tax benefit	-	-	-	-

Future income tax benefit not taken to account

The potential future income tax benefit arising from tax losses and timing differences have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Tax losses and timing differences carried forward at 30% (2004: 30%)	628,243	519,277	611,863	502,897

The potential future income tax benefit will only be obtained if:

- (i) the relevant company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (ii) the relevant company and/or the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the Company and/or the consolidated entity in realising the benefit.

	Consolidated	
	2005	2004
6. 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.

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
7. RECEIVABLES				
Current				
Trade debtors	18,246	1,100	18,246	1,100
Non-current				
Loans to controlled entities	-	-	53,470	53,470
Less provision for non-recoverability of loans to controlled entities	-	-	(53,470)	(53,470)
	-	-	-	-
8. OTHER FINANCIAL ASSETS				
Current				
Listed shares at current market value (cost \$49,502)	-	47,250	-	47,250
Convertible note – Exergy Inc. (including accrued interest)(i)	616,492	620,171	616,492	620,171
Provision for diminution of value of convertible note and accrued interest	(616,492)	(620,171)	(616,492)	(620,171)
Unlisted shares, convertible notes and accrued interest in Exergy Inc. (acquired 2 June 2005) at cost(ii)	530,293	-	530,293	-
	530,293	47,250	530,293	47,250
Non-current				
Controlled entities – unlisted shares at cost	-	-	4	4

(i) 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 fully 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.

(ii) 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. This gives the Company approximately 46% of the equity of Exergy Inc. This investment was acquired and continues to be held exclusively with a view to disposal in the near future. The directors have elected to carry this investment at cost (less any financial effects of changes in the exchange rates at balance date) and have not accounted for this as an associate.. The Company is actively seeking a purchaser and it's disposal is expected to occur within one year.

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
9. PROPERTY PLANT AND EQUIPMENT				
Plant and equipment – at recoverable amount	18,156	17,747	18,156	17,747
Less: accumulated depreciation	<u>(13,323)</u>	<u>(10,165)</u>	<u>(13,323)</u>	<u>(10,165)</u>
	<u>4,833</u>	<u>7,582</u>	<u>4,833</u>	<u>7,582</u>
Reconciliations				
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:				
<i>Plant and equipment</i>				
Carrying amounts at beginning of year	7,582	10,732	7,582	10,732
Additions	409	-	409	-
Depreciation	<u>(3,158)</u>	<u>(3,150)</u>	<u>(3,158)</u>	<u>(3,150)</u>
Carrying value at end of year	<u>4,833</u>	<u>7,582</u>	<u>4,833</u>	<u>7,582</u>
10. PAYABLES				
Trade creditors and accruals	<u>76,364</u>	<u>77,477</u>	<u>72,213</u>	<u>73,327</u>
11. CONTRIBUTED EQUITY				
Issued and paid up capital 377,974,211 (2004: 216,112,094) ordinary shares fully paid	<u>11,715,714</u>	<u>9,233,773</u>	<u>11,715,714</u>	<u>9,233,773</u>
Movement in share capital represented by:				
Opening share capital	9,233,773	8,602,902	9,233,773	8,602,902
49,900,000 shares issued at 1.3 cents each	-	648,700	-	648,700
161,681,268 shares issued at 1.6 cents each	2,586,900	-	2,586,900	-
180,849 shares issued at 2 cents each on exercise of options	<u>3,617</u>	<u>-</u>	<u>3,617</u>	<u>-</u>
	11,824,290	9,251,602	11,824,290	9,251,602
Less share issue costs	<u>(108,576)</u>	<u>(17,829)</u>	<u>(108,576)</u>	<u>(17,829)</u>
Closing share capital	<u>11,715,714</u>	<u>9,233,773</u>	<u>11,715,714</u>	<u>9,233,773</u>

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.

**Notes to the Financial Statements
For the year ended 30 June 2005**

11. CONTRIBUTED EQUITY (continued)

Options

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 paid 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 2005 the criteria had not been met and accordingly none of the incentive shares have been issued.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
12. ACCUMULATED LOSSES				
Accumulated losses at beginning of year	(8,570,793)	(8,342,569)	(8,566,739)	(8,338,515)
Net loss for the year attributable to members of the parent entity	<u>(365,246)</u>	<u>(228,224)</u>	<u>(365,146)</u>	<u>(228,224)</u>
Accumulated losses at end of year	<u>(8,936,039)</u>	<u>(8,570,793)</u>	<u>(8,931,885)</u>	<u>(8,566,739)</u>

13. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest rate risk exposures

The consolidated entity earned interest on its cash balances at a weighted average rate of 4.76% (2004:4.30%) per annum. Interest was also charged on loans at 12% per annum.

(b) Credit risk exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets of the economic entity, which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

The consolidated entity is materially exposed to Exergy through the issue of the convertible notes. The directors are unable to determine at this time that Exergy will fully repay the loan including all interest owing, and as such, a provision for the full value of the loan and accumulated interest owing has been raised.

(c) Net fair values

The fair value of unlisted equity investment and convertible note in Exergy Inc. acquired 2 June 2005 is disclosed in Note 8.

In the opinion of the directors the carrying amounts of all other financial assets and liabilities approximate their net fair value.

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
14. EMPLOYEE ENTITLEMENTS				
Number of employees at year end	1	1	1	1

Superannuation

Wasabi Energy Limited does not have a superannuation fund but makes contributions to accumulation funds as specified by its employee.

15. PARTICULARS IN RELATION TO CONTROLLED ENTITIES	2005	2004
	%	%
Wasabi Energy Limited		
Controlled entities		
Insurance Hotline Services Pty Ltd	100	100
Wasabi Technologies Pty Ltd	100	100

All controlled entities are incorporated in Australia.
No controlled entities were disposed of during the financial year.

18. SEGMENT REPORTING

The Company has shares and convertible notes in a US domiciled company. The Company had no other operations during the financial year.

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
19. NOTES TO THE STATEMENT OF CASHFLOWS				
(i) Reconciliation of cash				
For the purposes of the Statements of Cash Flows, cash includes cash on hand and cash at bank:				
Cash at bank	2,302,666	684,525	2,302,666	684,425

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

	Consolidated		The Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
19. NOTES TO THE STATEMENT OF CASHFLOWS (continued)				
(ii) Reconciliation of loss from ordinary activities after income tax to net cash used in operating activities				
Operating loss from ordinary activities after income tax	(365,246)	(228,224)	(365,146)	(228,224)
Add non-cash items				
Depreciation	3,158	3,150	3,158	3,150
Amount set aside for provisions	-	34,206	-	34,206
Debt forgiven/written off	-	1,650	-	1,650
Foreign exchange loss	52,760	16,788	52,760	16,788
Change in fair value of financial assets	(45)	-	(45)	-
Profit on sale other financial assets included in financing activities	(12,540)	(50,061)	(12,540)	(50,061)
Write down in value of other financial assets	-	2,252	-	2,252
Net cash utilised by operating activities before change in assets and liabilities	<u>(321,913)</u>	<u>(220,239)</u>	<u>(321,913)</u>	<u>(220,239)</u>
Change in assets and liabilities				
(Increase)/decrease in receivables	(27,023)	6,820	(27,023)	6,820
Increase/(decrease) in trade creditors and accruals	(1,114)	(32,089)	(1,114)	(32,089)
(Increase)/decrease in accrual interest	(42,883)	(50,994)	(42,883)	(50,994)
Net cash used in operating activities	<u>(392,933)</u>	<u>(296,502)</u>	<u>(392,933)</u>	<u>(296,502)</u>

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

**Notes to the Financial Statements
For the year ended 30 June 2005**

20. DIRECTOR AND EXECUTIVE DISCLOSURES

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives.

The following table provides the details of all directors ("specified directors") of the Company and the nature and amount of the elements of their remuneration for the year ended 30 June 2005. There are no other executives of the Company.

		Primary	Post employment	Equity	
		Salary & fees \$	Superannuation benefits \$	Options \$	Total \$
<i>Specified directors</i>					
<i>Non-executive</i>					
Mr F Reid	2005	30,000	-	-	30,000
	2004	35,000	-	-	35,000
Mr W Blakeney	2005	20,000	1,800	-	21,800
	2004	20,000	1,800	-	21,800
<i>Executive</i>					
Mr T Wise (Managing Director)	2005	96,000	8,640	136,122	240,762
	2004	96,000	8,640	-	104,640
Total, all specified directors	2005	146,000	10,440	136,122	292,562
	2004	151,000	10,440		161,440
<i>Specified Executive</i>					
P MacLeod (appointed 24 Dec 2004)	2005	24,000	-	-	24,000
	2004	-	-	-	-

The fair value of the Director options has been ascertained using the Black-Scholes valuation method and is based upon the following inputs and assumptions:

- f) share issue price at time of seeking approval for grant was 2.4 cents;
- g) an estimated volatility factor of 138%;
- h) option exercise price of 2 cents each;
- i) a risk free rate of 5.25%; and
- j) a term to expiry of 24 months.

In deriving the valuation, the Black-Scholes method relies on the following assumptions:

- d) the Director Options can be exercised at any time during the period;
- e) there are no transaction costs and the securities are infinitely divisible and information is available to all without cost; and
- f) the risk free interest rate is known and constant throughout the duration of the option contract.

**Notes to the Financial Statements
For the year ended 30 June 2005**

20. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Equity instruments

All options refer to options over ordinary shares of Wasabi Energy Limited, which are exercisable on a one for one basis.

10,000,000 Director options were granted and vested during the reporting period. The options were granted for no consideration to Mr T Wise. The Director options may participate in pro rata issues to holders of ordinary shares. No Director options have been exercised during or since the end of the report period. No options have been granted since the end of the financial year.

The Company granted listed options to all shareholders that participated in a pro rata rights issue on the basis of one free attaching listed option with each share issued. Directors and executives were eligible to participate in the rights issue if they were shareholders at the record date of the issue. The listed options granted were not part of remuneration.

Option holdings

The movement during the reporting period in the number of options over ordinary shares in Wasabi Energy Limited held, directly or beneficially, by each specified director and specified executive, including their personally-related entities, is as follows:

	Held at 1 July 2004	Granted during the year	Exercised	Lapsed or expired	Held at 30 June 2005	Vested and exercisable at 30 June 2005
Specified directors						
Mr F Reid	-	-	-	-	-	-
Mr W Blakeney	-	2,107,065	-	-	2,107,065	2,107,065
Mr T Wise	-	18,170,310	-	-	18,170,310	18,170,310
Specified executives						
Mr P MacLeod	-	267,782	-	-	267,782	267,782

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in Wasabi Energy Limited held, directly, indirectly or beneficially, by each specified director and specified executive, including their personally-related entities is as follows:

	Held at 1 July 2004	Purchases	Sales	Held at 30 June 2005
Specified directors				
Mr F Reid	-	-	-	-
Mr W Blakeney	3,918,904	2,402,300	-	6,321,204
Mr T Wise	6,301,119	8,209,810	-	14,510,929
Specified executives				
Mr P MacLeod	500,000	303,346	-	803,346

**Notes to the Financial Statements
For the year ended 30 June 2005**

21. NON DIRECTOR RELATED PARTIES

Group entities

Details of interests in controlled entities are set out in Note 15. Details of dealings with these entities are set out below.

Loans

Loans to and from controlled entities are interest free and have no fixed date for repayment.

Balances with entities within the wholly owned group

	The Company	
	2005	2004
	\$	\$
The aggregate amount receivable from and payable to wholly owned controlled entities by the Company at balance date:		
Receivables – Non-current	53,470	53,470

Non-current receivables comprise of balances receivable from controlled entities and have been fully provided for.

22. CONTINGENT LIABILITIES

- a. The Company had an agreement with CTE Investments Pty Ltd (“CTE”) for CTE to provide a due diligence investigation report on Exergy Inc. and advice to 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 price of \$0.01 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 the full amount, the shares to be issued to CTE is reduced proportionately.

- b. 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 the following performance criteria:
 - (i) If the Company achieves a market capitalisation in excess of \$100 million within five years from settlement, the Company shall issue to the vendors, 10,000,000 shares for no further consideration.
 - (ii) If the Company achieves a market capitalisation in excess of \$200 million within five years from settlement, the Company shall issue to the vendors a further 10,000,000 shares for no further consideration.
 - (iii) If the Company achieves a market capitalisation of \$500 million within five years from settlement, the Company shall issue to the vendors a further 10,000,000 shares for no further consideration

For the above purposes, the market capitalisation of the Company means the sum of:

- (i) the market value of all listed equity securities in the Company (including all shares and options), determined by the average last sale price for the preceding 20 trading days; and
- (ii) the market value of all other equity securities in the Company as agreed by all the parties, or, in the event that the parties disagree, as determined by an independent valuer appointed by the President for the time being of the Australian Institute of Chartered Accountants.

As at 30 June 2005 the criteria had not been met and accordingly none of the incentive shares have been issued.

Notes to the Financial Statements
For the year ended 30 June 2005

23. **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.

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.

The expected impact of adopting A-IFRS disclosed in this note is based on work in progress of the company and may be subject to change. In addition, certain choices of accounting policies and elections under A-IFRS are still being analysed to determine the most appropriate policy for the Company and Consolidated Entity. Further impacts of transition to A-IFRS may be identified as the Company concludes implementation project. Accordingly, the impacts disclosed should not be regarded as a complete list of the changes in accounting policies that will result from the transition to A-IFRS. There can be no assurances that all significant impacts of transition to A-IFRS have been identified.

The A-IFRS project has not been finalised due to the Company's focus on identifying a purchaser for the Exergy investment and is expected to be finalised before 31 December 2005.

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 recognise 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.

Notes to the Financial Statements
For the year ended 30 June 2005

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

(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.

Notes to the Financial Statements
For the year ended 30 June 2005

24. EVENTS SUBSEQUENT TO REPORTING 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 if the transaction proceeds. Wasabi shareholder approval was granted to dispose of the Company's interests in Exergy. However, on 28 September 2005, AMP Resources LLC indicated they would be withdrawing from the proposed merger. At the date of this report the outcome of the transaction is uncertain.

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. Wasabi shareholder approval for the joint venture was granted on 28 September 2005.

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

WASABI ENERGY LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

In the opinion of the directors of Wasabi Energy Limited (the Company):

- a) the financial statements and notes, set out on pages 9 to 28, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2005 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2005.

Dated at Perth this 30th day of September 2005.

Signed in accordance with a resolution of the directors:

Director
W Blakeney



Independent audit report to members of Wasabi Energy Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both Wasabi Energy Limited (the "Company") and the Consolidated Entity, for the year ended 30 June 2005. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.





Audit opinion

In our opinion, the financial report of Wasabi Energy Limited is in accordance with:

- a) the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company's and Consolidated Entity's financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory financial reporting requirements in Australia.

KPMG

B P STEEDMAN
Partner

Perth
30 September 2005

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report as at 21 October 2005.

Twenty Largest Shareholders

<i>Name</i>	<i>Number of Shares</i>	<i>Percentage of Issued Capital</i>
Cambrian Mining PLC	81,511,422	21.57
Invia Custodian Pty Limited	45,300,000	11.98
Sassey Pty Ltd	25,173,800	6.66
ANZ Nominees Pty Ltd	10,502,800	2.78
M A O'Brien Medical Pty Ltd	10,411,110	2.75
Marguerite Investments Pty Ltd	9,873,000	2.61
Archfield Pty Ltd	9,067,977	2.40
John Joseph Byrne	9,000,000	2.38
Timothy Wise	5,055,338	1.34
Finind Pty Ltd	5,000,000	1.32
Ocean View Pty Ltd	4,450,000	1.18
Ramsa Pty Ltd	3,984,300	1.05
Fairgrove Nominees Pty Ltd	3,214,129	0.85
Ian Boon	3,147,291	0.83
Antonia Wise	3,147,000	0.83
GL & KC Swinney	3,000,000	0.79
Sire Pty Limited	2,967,000	0.78
Muteroo Pastoral Co Pty Ltd	2,700,000	0.71
Atka Nominees Proprietary Limited	2,680,000	0.71
D F Lynton-Brown Pty Ltd	2,575,975	0.68
	<hr/>	
	242,761,142	64.20

Substantial Shareholders

<i>Name</i>	<i>Number of Shares</i>	<i>Percentage of Issued Capital</i>
Cambrian Mining PLC	81,511,422	21.57
Invia Custodian Pty Ltd	45,300,000	11.98
Sassey Pty Ltd	25,173,800	6.66

Distribution of Shareholdings

<i>Range</i>	<i>Number of Shareholders</i>	<i>Number of Ordinary Shares</i>
1 - 1,000	166	61,147
1,001 - 5,000	164	519,696
5,001 - 10,000	113	965,567
10,001 - 100,000	316	13,743,451
100,001 - OVER	259	362,684,350
Total	<hr/>	<hr/>
	1,018	377,974,211

The number of shareholders holding less than a marketable parcel is 546.

Voting Rights

All shares carry one vote per share without restriction.

ASX ADDITIONAL INFORMATION

Twenty Largest Listed Option Holders

<i>Name</i>	<i>Number of Options</i>	<i>Percentage of Issued Listed Options</i>
Cambrian Mining PLC	32,111,422	24.88
Invia Custodian Pty Limited	15,100,000	11.70
Sassey Pty Ltd	8,955,000	6.94
Finind Pty Ltd	5,000,000	3.87
Marguerite Investments Pty Ltd	3,291,000	2.55
Frijlink Pty Ltd	3,256,194	2.52
Hugh Davis	3,248,921	2.52
John Joseph Byrne	3,000,000	2.32
M A O'Brien Medical Pty Ltd	2,610,370	2.02
Ramsa Pty Ltd	2,000,000	1.55
Ocean View Pty Ltd	1,800,000	1.39
D F Lynton-Brown Pty Ltd	1,750,000	1.36
Timothy Wise	1,685,113	1.31
Sire Pty Limited	1,117,000	0.87
Running Water Limited	1,050,000	0.81
Ian Boon	1,049,097	0.81
Antonia Wise	1,049,000	0.81
C & Z Czaplá	1,000,000	0.77
GL & KC Swinney	1,000,000	0.77
Twenty Second Yeneb Pty Ltd	1,000,000	0.77
	91,073,117	70.54

Distribution of Option Holdings

<i>Range</i>	<i>Number of Shareholders</i>	<i>Number of Ordinary Shares</i>
1 - 1,000	14	6,564
1,001 - 5,000	62	219,587
5,001 - 10,000	17	148,750
10,001 - 100,000	124	5,599,927
100,001 - OVER	118	123,108,777
Total	335	129,083,605

On-market Buy-back

There is no current on-market buy-back.

Restricted Securities

The Company does not have any restricted securities on issue:

CORPORATE GOVERNANCE

The Company is committed to implementing the highest standards of corporate governance. In determining what those high standards should involve the Company has turned to the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations*. Consistency with the guidelines is an ongoing process.

Where the Company's corporate governance practices do not correlate with the practices recommended by the Council, the Company is either working towards compliance or does not consider that particular practices are appropriate at this time due to the size and operations of the Company and the number of Directors on the Board.

1. Board of Directors

1.1 Role of the Board

The Board's role is to govern the Company rather than to manage it. In governing the Company, the Directors must act in the best interests of the Company as a whole. It is the role of senior management to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

In carrying out its governance role, the main task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and any other legal obligations, including the requirements of any regulatory body. The Board has the final responsibility for the successful operations of the Company.

1.2 Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties. The names of the Directors and their qualifications and experience are stated in the Directors' Report along with the term of office held by each of the Directors. Directors are appointed based on the specific skills required by the Company and on their decision-making and judgment.

The Company recognises the importance of Non-Executive Directors and the external perspective and advice that Non-Executive Directors can offer. Dr Reid, Mr Blakeney, Mr Robert Reynolds and Mr Robert Vallender are Non-Executive Directors. In addition to being Non-Executive Directors, they also meet the following criteria for independence adopted by the Company.

An Independent Director:

1. is a Non-Executive Director and;
2. is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
3. within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;
4. within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member. Or an employee materially associated with the service provided;
5. is not a material supplier or customer of the Company or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
6. has no material contractual relationship with the Company or other group member other than as a Director of the Company;
7. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company; and
8. is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Board continues to reviews these matters.

CORPORATE GOVERNANCE

1.3 Responsibilities of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following.

1. Leadership of the Organisation: overseeing the Company and establishing codes that reflect the values of the Company and guide the conduct of the Board, management and employees.
2. Strategy Formulation: working with senior management to set and review the overall strategy and goals for the Company and ensuring that there are policies in place to govern the operation of the Company.
3. Overseeing Planning Activities: overseeing the development of the Company's strategic plan and approving that plan as well as the annual and long term budgets.
4. Shareholder Liaison: ensuring effective communications with shareholders and promoting participation at general meetings of the Company.
5. Monitoring, Compliance and Risk Management: overseeing the Company's risk management, compliance, control and accountability systems and monitoring and directing the financial and operational performance of the Company.
6. Company Finances: approving expenses in excess of those approved in the annual budget and approving and monitoring acquisitions, divestitures and financial and other reporting.
7. Human Resources: appointing, and, where appropriate, removing the Chief Executive Officer (CEO) and senior management as well as reviewing the performance of the CEO and monitoring the performance of senior management in their implementation of the Company's strategy.
8. Ensuring the Health, Safety and Well-Being of Employees: in conjunction with the senior management team, developing, overseeing and reviewing the effectiveness of the Company's occupational health and safety systems to ensure the well-being of all employees.
9. Delegation of Authority: delegating appropriate powers to the CEO to ensure the effective day-to-day management of the Company and establishing and determining the powers and functions of the Committees of the Board.

1.4 Board Policies

1.4.1 Conflicts of Interest

Directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the Director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within such period as may be permitted and reasonable, take such necessary and reasonable steps to remove any conflict of interest.

If a Director cannot or is unwilling to remove a conflict of interest then the Director must, as per the *Corporations Act*, absent himself or herself from the room when discussion and/or voting occurs on matters about which the conflict relates.

1.4.2 Commitments

Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company.

1.4.3 Confidentiality

In accordance with legal requirements and agreed ethical standards, Directors and key executives of the Company have agreed to keep confidential, information received in the course of the exercise of their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

CORPORATE GOVERNANCE

1.4.4 Continuous Disclosure

The Board has designated the Company Secretary as the person responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX. In accordance with the *ASX Listing Rules* the Company immediately notifies the ASX of information:

1. concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
2. that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

1.4.5 Independent Professional Advice

The Board collectively and each Director has the right to seek independent professional advice at the Company's expense, with the prior approval of the Chairman, to assist them to carry out their responsibilities. Any such advice is to be provided to all Directors.

1.4.6 Related Party Transactions

Related party transactions include any financial transaction between a Director and the Company and will be reported in writing to each Board meeting. Unless there is an exemption under the *Corporations Act* from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction.

1.4.7 Shareholder Communication

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

1. communicating effectively with shareholders through releases to the market via ASX, information mailed to shareholders and the general meetings of the Company;
2. giving shareholders ready access to balanced and understandable information about the Company and corporate proposals;
3. making it easy for shareholders to participate in general meetings of the Company; and
4. requesting the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The Company does not have a corporate web site at this time. When a web site is established the Company will post all information in accordance with this policy on the web site in an area accessible by the public.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company.

1.4.9 Trading in Company Shares

Consistent with the law, Directors, members of senior management and other employees are prohibited from trading in the Company's securities while in the possession of unpublished price sensitive information concerning the Company. Unpublished price sensitive information is information regarding the Company, of which the market is not aware, that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

Notice of an intention to trade must be given prior to trading in the Company's securities as well as a confirmation that the person is not in possession of any unpublished price sensitive information. The completion of any such trade by a Director must also be notified to the Company Secretary who in turn advises the ASX.

1.4.10 Performance Review / Evaluation

The Board has not conducted a formal independent evaluation of its performance. However, the Board is at all times aware of the need for it and individual Board members to perform to the benefit of all stakeholders.

1.4.11 Attestations by CEO and CFO

It is the Board's policy that the CEO and the CFO made the attestations recommended by the ASX Corporate Governance Council as to the Company's financial condition prior to the Board signing the Annual Report. Mr Tim Wise and Mr Phillip MacLeod have been designated CEO and CFO for the purposes of this attestation.

CORPORATE GOVERNANCE

2. Board Committees

2.1 Audit Committee

2.1.1 Role

An Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors.

Due to the size and scale of operations, the Company does not have an Audit Committee with all matters usually consider by this committee being dealt with during regular Board meetings.

2.2 Remuneration Committee

2.2.1 Role

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

Given the size and scale of operations, the Company does not have a Remuneration Committee. It is considered that the establishment of this committee would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.2.2 Remuneration Policy¹

2.2.2.1 Senior Executive Remuneration Policy

The Company is committed to remunerating its senior executives in a manner that is market-competitive and consistent with best practice as well as supporting the interests of shareholders. The remuneration of senior executives may be comprised of the following:

- fixed salary that is determined from a review of the market and reflects core performance requirements and expectations;
- a performance bonus designed to reward actual achievement by the individual of performance objectives and for materially improved Company performance;
- participation in a Company option scheme with thresholds approved by shareholders; and
- statutory superannuation.

2.2.2.2 Non-Executive Director Remuneration Policy

Non-Executive Directors are paid their fees out of the maximum aggregate amount approved by shareholders for the remuneration of Non-Executive Directors.

Non-Executive Directors are entitled to statutory superannuation.

2.2.3 Current Director Remuneration

Full details regarding the remuneration of Directors is included in the Directors' Report.

2.3 Nomination Committee

2.3.1 Role

The role of a Nomination Committee is to help achieve a structured Board that adds value to the Company by ensuring an appropriate mix of skills are present in Directors on the Board at all times.

Given the size and scale of operations, the Company does not have a Nomination Committee. It is considered that the establishment of this committee would not be a more efficient mechanism than the full Board for focusing the Company on specific issues.

2.3.2 Criteria for selection of Directors

- Directors are appointed based on the specific skills required by the Company. Given the size of the Company and the business that it operates, the Company aims at all times to have at least one Director with experience in the Company's industry, appropriate to the Company's market.

CORPORATE GOVERNANCE

3. Company Code Of Conduct

The Code of Conduct is a guide to compliance with legal and other obligations to legitimate stakeholders. These stakeholders include employees, clients, customers, government authorities, creditors and the community as whole. The Code includes the following.

Responsibilities to Shareholders and the Financial Community Generally

The Company complies with the spirit as well as the letter of all laws and regulations that govern shareholders' rights.

The Company has processes in place designed to ensure the truthful and factual presentation of the Company's financial position and prepares and maintains its accounts fairly and accurately in accordance with the generally accepted accounting and financial reporting standards.

Responsibilities to Clients, Customers and Consumers

Each employee has an obligation to use their best efforts to deal in a fair and responsible manner with each of the Company's clients, customers and consumers. The Company for its part is committed to providing clients, customers and consumers with fair value.

Employment Practices

The Company endeavours to provide a safe workplace in which there is equal opportunity for all employees at all levels of the Company. The Company does not tolerate the offering or acceptance of bribes or the misuse of Company assets or resources.

Obligations Relative to Fair Trading and Dealing

The Company aims to conduct its business fairly and to compete ethically and in accordance with relevant competition laws. The Company strives to deal fairly with the Company's customers, suppliers, competitors and other employees and encourages its employees to strive to do the same.

Responsibilities to the Community

As part of the community the Company is committed to conducting its business in accordance with applicable environmental laws and regulations.

Responsibility to the Individual

The Company is committed to keeping private information from employees, clients, customers, consumers and investors confidential and protected from uses other than those for which it was provided.

Conflicts of Interest

Employees and Directors must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

How the Company Complies with Legislation Affecting its Operations

Within Australia, the Company strives to comply with the spirit and the letter of all legislation affecting its operations. Outside Australia, the Company will abide by local laws in all countries in which it operates. Where those laws are not as stringent as the Company's operating policies, particularly in relation to the environment, workplace practices, intellectual property and the giving of "gifts", Company policy will prevail.

How the Company Monitors and Ensures Compliance with its Code

Disciplinary measures may be imposed for violating the proposed Code.

CORPORATE GOVERNANCE

ASX Guidelines on Corporate Governance

The ASX Corporate Governance Council has developed a set of guidelines, *Principles of Good Corporate Governance and Best Practice Recommendations*. This document articulates 10 core principles that the ASX Corporate Governance Council believes underlie good corporate governance. Each principle is then explained in detail, with implementation guidance in the form of best practice recommendations. ASX states that “the best practice recommendations are not prescriptions. They are guidelines, designed to produce an efficiency, quality or integrity outcome.”

This means that under ASX Listing Rule 4.10 the Company must provide a statement disclosing the extent to which the ASX best practice recommendations have been followed in the reporting period. It is only where a best practice recommendation is not met or where a disclosure requirement is specifically identified that a disclosure obligation is triggered. Below, the Company provides explanation of any areas in the ASX best practice recommendations where Midas does not presently comply.

ASX corporate governance best practice recommendations with which the Company does not presently comply

1. The Chairman is not an independent non-executive director.

Mr Wise is the Company’s Executive Chairman. The ASX Corporate Governance Council recommends that an independent non-executive director hold the position of Chairman. The Company considers it appropriate at this time for Mr Wise to hold this position given the size and operations of the Company and its Board and the independence exercised by the other Board members.

2. As commented above, the Board has not constituted any committees with all matters typically dealt with by the recommended committees addressed by the whole Board.
 3. The guidelines also recommend that the Company maintain a dedicated corporate governance information section on its website. As noted above, the Company does not currently maintain a website.
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