WASABI ENERGY LIMITED

ACN 000 090 997

APPENDIX 4D

HALF-YEAR REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

This information should be read in conjunction with the 2005 Annual Report

Results For Announcement To The Market

Results				A$
Revenues from ordinary activities	up	408%	to	131,438
Loss from ordinary activities after tax attributable to members	up	66%	to	246,578
Net loss for the period attributable to members	up	66%	to	246,578

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	

NTA backing	Current period	Previous corresponding Period
Net tangible asset backing per +ordinary security	0.67 cents	0.42 cents

WASABI ENERGY LIMITED
ACN 000 090 997
and its Controlled Entities

INTERIM FINANCIAL REPORT

31 DECEMBER 2005

WASABI ENERGY LIMITED
and its Controlled Entities

DIRECTORS' REPORT

The directors present their report together with the consolidated financial report for the half year ended 31 December 2005 and the auditor's report thereon.

DIRECTORS

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

Mr Timothy Wise Chairman and Managing Director	Director since 4 January 2000
Mr Wayne Blakeney Non-executive Director	Director since 1 April 2001
Mr Robert Reynolds Non-executive Director	Director since 10 August 2005
Mr Robert Vallender Non-executive Director	Director since 10 August 2005
Dr Frank Reid Non-executive Director	Resigned 17 November 2005

REVIEW OF OPERATIONS

The net loss after income tax attributable to members of the consolidated entity for the half year ended 31 December 2005 was $246,578 (2004: $148,230). This equates to a basic loss per share of 0.07 cents (2004: 0.07 cents).

Exergy Inc.
In June 2005 Wasabi acquired loans (convertible notes) and approximately 46% of the equity in Exergy Inc. for US$400,000. This investment was acquired and continues to be held exclusively with a view to disposal in the near future. Wasabi also holds convertible notes in Exergy Inc. of US$432,924, which have previously been fully provided for. Exergy is a California-based energy technology corporation that owns the Kalina Cycle technology, a patented process that significantly improves the efficiency of conversion of heat to power for generation of electricity from low temperature geothermal and waste heat.

A proposed merger between Exergy and Amp Resources LLC, which would have resulted in a substantial return to Wasabi, was terminated during September 2005. Wasabi is continuing to work with these parties and others to realise a suitable return on the Exergy investment.

The Siemens Industrial Solutions and Services Group based in Erlangen, Germany has recently announced the construction of two separate geothermal power stations utilizing the Kalina Cycle technology. Exergy is due royalty payments from Siemens for the use of the technology. This development, along with the progress of other licensees of the Exergy technology including AMP Resources LLC, Geodynamics Ltd, X-Orka and Ebara of Japan, provides Wasabi with assurance of Exergy's inherent value.

WASABI ENERGY LIMITED
and its Controlled Entities

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Lillyburt Coal Project

Wasabi is also earning a 50% interest in the Lillyburt Coal Project in British Columbia, Canada, through a joint venture with Western Canadian Coal Corp. Wasabi can earn its interest in the Lillyburt project by spending C$2.5 million by December 2008. The joint venture is directing an economic evaluation of the Lillyburt Coal Project. This scoping study to determine the economic potential of the Lillyburt Coal Project in Canada involves a detailed review and reassessment of the geological database utilizing modern computer modelling in order to determine the resources and their classification. A 3D geological model, digital topographic model and mining review will assist this process, with a final report expected by April 2006.

EVENTS SUBSEQUENT TO REPORTING DATE

During March 2006, the Company advanced US$1.2 million to Amp Recurrent LLC on behalf of Exergy Inc. Amp Recurrent had advanced funds of US$500,000 plus interest at the rate of 5% per annum to Exergy, together with additional funding to maintain Exergy's extensive worldwide patent portfolio. This advance became payable as a result of a definitive merger entered into between Amp Recurrent and Raser Technologies, a listed US based energy technology company. Wasabi has advanced the funds on behalf of Exergy pursuant to an existing revolving credit note agreement with Exergy. The balance of the advance accrues interest at the rate of 6% per annum. The revolving credit note is secured against certain patents held by Exergy.

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The lead auditor's independence declaration is set on page 3 and forms part of the directors' report for the half year ended 31 December 2005.

Signed in accordance with a resolution of the directors:

T Wise
Director

Perth
Dated 16 March 2006

KPMG

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

To: the directors of Wasabi Energy Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2005 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

B P Steedman
Partner

Perth
16 March 2006

WASABI ENERGY LIMITED
and its Controlled Entities

CONDENSED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Note	Consolidated 31 Dec 2005 $	31 Dec 2004 $
Other operating income			
Gain on sale of other financial assets		-	12,539
Other		481	300
Depreciation and amortisation		(1,223)	(1,575)
Employee and directors expenses		(96,387)	(77,320)
Professional fees		(135,805)	(47,713)
Administration expenses		(88,426)	(47,117)
Impairment of convertible notes		(55,807)	-
Operating loss before financing costs		**(377,167)**	**(160,886)**
Financial income		130,957	13,208
Financial expenses		(368)	(552)
Net financing costs		**130,589**	**12,656**
Loss before tax		**(246,578)**	**(148,230)**
Income tax expense		-	-
Loss for the period		**(246,578)**	**(148,230)**
Basic loss per share	4	**(0.07) cents**	**(0.07) cents**

Potential ordinary shares are not considered dilutive, therefore diluted earnings per share is the same as basic earnings per share.

This income statement is to be read in conjunction with the accompanying notes.

WASABI ENERGY LIMITED
and its Controlled Entities

CONDENSED BALANCE SHEET

AS AT 31 DECEMBER 2005

	Note	Consolidated 31 December 2005 $	 30 June 2005 $
Current Assets			
Cash and cash equivalents		2,101,456	2,302,666
Trade and other receivables		24,069	18,246
Assets classified as held for sale	6	554,398	530,294
Total current assets		2,679,923	2,851,206
Non Current Assets			
Plant and equipment		3,924	4,833
Total non current assets		3,924	4,833
Total Assets		2,683,847	2,856,039
Current Liabilities			
Trade and other payables		150,750	76,364
Total current liabilities		150,750	76,364
Total Liabilities		150,750	76,364
Net Assets		2,533,097	2,779,675
Equity			
Issued capital	2	11,715,714	11,715,714
Reserves		136,122	136,122
Accumulated losses		(9,318,739)	(9,072,161)
Total Equity		2,533,097	2,779,675

This balance sheet is to be read in conjunction with the accompanying notes.

WASABI ENERGY LIMITED
and its Controlled Entities

CONDENSED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Consolidated	
	31 December 2005	31 December 2004
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	660	660
Interest received	51,046	13,208
Cash paid to suppliers and employees	(252,916)	(180,779)
Net cash (used in) operating activities	(201,210)	(166,911)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	-	59,835
Payments for acquisition of investments	-	(132,362)
Net cash (used in) investing activities	-	(72,527)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	518,669
Net cash provided by financing activities	-	518,669
Net increase/(decrease) in cash and cash equivalents	(201,210)	279,231
Cash at the beginning of the financial period	2,302,666	684,525
Cash at the end of the financial period	2,101,456	963,756

This statement of cash flows is to be read in conjunction with the accompanying notes.

WASABI ENERGY LIMITED
and its Controlled Entities

CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

CONSOLIDATED	Attributable to equity holders of the parent			
	Issued capital	Accumulated losses	share based payment reserve	Total
	$	$	$	$
At 1 July 2004	9,233,773	(8,570,793)	-	662,980
Total income and expense for the period recognised in equity	-	-	-	-
Loss for the period	-	(148,230)	-	(148,230)
Total income/expense for the period	9,233,773	(8,719,023)	-	514,750
Shares issued	518,669	-	-	518,669
At 31 December 2004	9,752,442	(8,719,023)	-	1,033,419

CONSOLIDATED	Attributable to equity holders of the parent			
	Issued capital	Accumulated losses	Share based payment reserve	Total
	$	$	$	$
At 1 July 2005	11,715,714	(9,072,161)	136,122	2,779,675
Total income and expense for the period directly recognised in equity	-	-	-	-
Loss for the period	-	(246,578)	-	(246,578)
Total income/expense for the period	11,715,714	(9,318,578)	136,122	(246,578)
Shares issued	-	-	-	-
At 31 December 2005	11,715,714	(9,318,739)	136,122	2,533,097

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Wasabi Energy Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company for the six months ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "consolidated entity").

The condensed consolidated interim financial report was authorised for issue by the directors on 16 March 2006.

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001.

International Financial Reporting Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS"), to distinguish from previous Australian GAAP. The interim financial report of the consolidated entity also complies with IFRSs and interpretations adopted by the International Accounting Standards Board.

This is the consolidated entity's first AIFRS condensed consolidated interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The condensed consolidated interim financial report does not include all of the information required for a full annual financial report.

The interim financial report is to be read in conjunction with the most recent annual financial report, however, the basis of their preparation is different to that of the most recent annual financial report due to the first time adoption of AIFRSs. This report must also be read in conjunction with any public announcements made by Midas Resources Limited during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

An explanation of how the transition to AIFRSs has affected the reported financial position, financial performance and cash flows of the consolidated entity is provided in note 8. This note includes reconciliations of equity and profit or loss for comparative periods reported under Australian GAAP (previous GAAP) to those reported for those periods under AIFRSs.

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report is prepared on the historical cost basis.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation (continued)

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed consolidated interim financial report has been prepared on the basis of AIFRSs in issue that are effective or available for early adoption at the consolidated entity's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRSs, the Board of Directors have made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year-ended 30 June 2006.

The Australian Accounting Standards and UIG Interpretations that will be effective or available for voluntary early adoption in the annual financial statements for the period ended 30 June 2006 are still subject to change therefore cannot be determined with certainty. Accordingly, the accounting policies for that annual period that are relevant to this interim financial information will be determined only when the first AIFRS financial statements are prepared at 30 June 2006.

The preparation of the condensed consolidated interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed consolidated interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRSs, as required by AASB 1.The impact of the transition from previous GAAP to AIFRSs is explained in note 8.

(c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the condensed consolidated interim financial report from the date that control commences until the date that control ceases.

Joint ventures

Joint ventures are those entities over whose activities the consolidated entity has joint control, established by contractual agreement. The interest of the consolidated entity in unincorporated joint ventures and jointly controlled assets are brought to account by recognising in its financial statements the assets it controls and the liabilities that it incurs, and the expenses it incurs and its share of income that it earns from the sale of goods or services by the joint venture.

Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the condensed consolidated interim financial statements.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Foreign currency
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(e) Plant & equipment
Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)).

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives in the current and comparative periods are the same and are as follows:
(i) plant and equipment 3 to 4 years

The residual value, if not insignificant, is reassessed annually.

(f) Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Impairment
The carrying amounts of the consolidated entity's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Employee benefits

Share based payment transactions

The fair value of options granted to staff and directors is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

(i) Expenses

Net financing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest method, interest receivable on funds invested and foreign exchange gains and losses. Interest income is recognised in the income statement as it accrues, using the effective interest method.

(j) Income tax

Income tax on the income statement for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Non-current assets held for sale

Immediately before classification as held for sale, the measurement of the assets (and all assets and liabilities in a disposal group) is brought up to date in accordance with applicable IFRSs. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

(l) Revenue

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(m) Segment reporting

A segment is a distinguishable component of the consolidated entity that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

(n) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (g)).

(o) Goods and services tax

Revenue, 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 taxation authority. 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.

(p) Trade and other payables

Trade and other payables are stated cost.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

2. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves attributable to equity holders:

Consolidated	Share capital $	Share based payment reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2005	11,715,714	136,122	(9,072,161)	2,779,675
Total recognised income and expense	-	-	(246,578)	(246,578)
Balance at 31 December 2005	11,715,714	136,122	(9,318,739)	2,533,097

Share capital	31 December 2005	30 June 2005
	$	$
Ordinary shares		
Issued and fully paid	11,715,714	11,715,714
	No.	No.
	377,974,211	377,974,211

No equity securities were issued by the Company during the half year ended 31 December 2005.

3. SEGMENT INFORMATION

The consolidated entity has shares and convertible notes in a US domiciled company. The Company had no other significant operations during the half year ended 31 December 2005.

4. EARNINGS PER SHARE

Basic earnings per share
The calculation of basic earnings per share for the six months ended 31 December 2005 was based on the loss attributable to ordinary shareholders of $246,578 (loss for six months ended 31 December 2004:$148,230) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2005 of 377,974,211 (six months ended 31 December 2004: 220,516,552).

Diluted earnings per share
Potential ordinary shares are not considered dilutive, therefore the calculation of diluted earnings per share is the same as basic earnings per share.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

5. CONTINGENT LIABILITIES

Other than in respect to the matter set out below in note 6 there are no material changes in contingent liabilities from that disclosed in the 30 June 2005 financial report.

6. ASSETS HELD FOR SALE

The consolidated entity holds unsecured convertible notes in Exergy Inc. acquired in January and May 2002 of US$250,000 and US$82,924, respectively. The convertible notes currently carry interest at the rate of 12% per annum and are repayable in United States currency. 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 impairment of the gross value (including accrued interest) was established at 31 December 2002 and at 31 December 2005 is $645,751 (30 June 2005: $616,492). The directors have continued this treatment for the current period for these notes.

The consolidated entity also holds a 46% equity interest in Exergy, convertible notes and accrued interest acquired in June 2005 for US$400,000. These assets have a carrying value at 31 December 2005 of US$554,598.

The directors continue to believe the Kalina cycle technology has substantial merit and therefore that the value of the equity investment and convertible notes acquired in June 2005 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.

As it is the company's intention to dispose of its interests (shares and convertible notes) in Exergy these assets have been classified as current assets held for sale.

7. EVENTS SUBSEQUENT TO BALANCE DATE

During March 2006, the Company advanced US$1.2 million to Amp Recurrent LLC on behalf of Exergy Inc. Wasabi has advanced the funds on behalf of Exergy pursuant to an existing revolving credit note agreement with Exergy. The balance of the advance accrues interest at the rate of 6% per annum. The revolving credit note is secured against certain patents held by Exergy.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

8. IMPACT OF ADOPTION OF AIFRS

As stated in note 1(a), these are the consolidated entity's first condensed consolidated interim financial statements for part of the period covered by the first AIFRS annual consolidated financial statements prepared in accordance with Australian Accounting Standards - AIFRSs.

The accounting policies in note 1 have been applied in preparing the condensed consolidated interim financial statements for the six months ended 31 December 2005, the comparative information for the six months ended 31 December 2004, the financial statements for the year ended 30 June 2005 and the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, comparative information for the six months ended 31 December 2004 and financial statements for the year ended 30 June 2005, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP).

An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(i) Reconciliation of total equity as presented under AGAAP to that under AIFRS

	CONSOLIDATED		
	30-June-05	*31-Dec-04*	*01-July-04*
	$	*$*	*$*
Issued capital	11,715,714	9,752,442	9,233,773
Accumulated losses	(8,936,039)	(8,719,023)	(8,570,793)
Employee equity - share based payment reserve	-	-	-
Total equity under AGAAP	2,779,675	1,033,419	662,980
Adjustments to equity:			
Accumulated losses	(136,122)	-	-
Employee equity – share based payment reserve	136,122	-	-
Total equity under AIFRS	2,779,675	1,033,419	662,980

The consolidated entity issued 10,000,000 share options on 11 February 2005 that are fully vested. As a consequence share based payment expense increased by $136,122 for the year ended 30 June 2005 and was recognised as an employee equity – share based payment reserve.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 DECEMBER 2005

8. IMPACT OF ADOPTION OF AIFRS (continued)

(ii) Reconciliation of loss after tax under AGAAP to that under AIFRS

	CONSOLIDATED	
	Year ended 30-Jun-05 $	*Half-Year ended 31-Dec-04 $*
Loss after tax as previously reported	(365,246)	(148,230)
Adjustments to losses:		
Share based payment expense	(136,122)	-
Loss after tax under AIFRS	(501,368)	(148,230)

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

AASB 1 Transitional exemptions
The Group has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Business combinations
AASB 3 'Business Combinations' was not applied retrospectively to past business combinations (i.e. business combinations that occurred before the date of transition to AIFRS).

Designation of *previously recognised financial instruments*
Financial instruments were designated as financial assets or liabilities at fair value through profit or loss or as available-for-sale at the date of transition to AIFRS.

Share-based payment transactions
AASB 2 'Share-Based Payments' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Exemption from the requirement to restate comparative information for AASB 132 and AASB 139
The Group has elected to adopt this exemption and has applied AAASB 132 "Financial Instruments: Presentation and disclosure" and AASB 139 "Financial Instruments: Recognition and Measurement" to its comparative information.

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 4 to 16, are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date; and

   (ii) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting" 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.

Signed in accordance with a resolution of the directors:

T Wise
Director

Perth

Dated 16 March 2006

KPMG

Independent review report to the members of Wasabi Energy Ltd

Scope

The financial report and directors' responsibility

The financial report comprises the condensed consolidated interim income statement, statement of changes in equity, balance sheet, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Wasabi Energy Ltd Consolidated Entity ("the Consolidated Entity"), for the half-year ended 31 December 2005. The Consolidated Entity comprises Wasabi Energy Ltd ("the Company") and the entities it controlled during that half-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. The directors are also responsible for preparing the relevant reconciling information regarding adjustments required under the Australian Accounting Standard AASB 1 *First-Time Adoption of Australian equivalents to International Financial Reporting Standards.*

Review approach

We conducted an independent review in order for the Company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements.

We performed procedures in order to state whether on the basis of the procedures described anything has come to our attention that would indicate the financial report does not present fairly, in accordance with the Corporations Act 2001, Australian Accounting Standard AASB 134 *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Consolidated Entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our statement on the basis of the review procedures performed, which were limited primarily to:

- enquiries of company personnel; and
- analytical procedures applied to the financial data.

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

The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

A review cannot guarantee that all material misstatements have been detected.

KPMG

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe the half-year financial report of Wasabi Energy Ltd is not in accordance with:

a) the Corporations Act 2001, including:

   i. giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and

   ii. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements in Australia.

KPMG

KPMG

B P Steedman
Partner

Perth
6 March 2006