

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001

Name of entity

WASABI ENERGY LIMITED

ABN

24 000 090 997

Quarter ended ("current quarter")

31 December 2006

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (6 months)
	\$A	\$A
1.1 Receipts from customers	4,246	5,331
1.2 Payments for		
(a) staff costs	(75,381)	(111,033)
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(168,722)	(270,098)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,279	2,624
1.5 Interest and other costs of finance paid	(1,653)	(1,653)
1.6 GST refunded	69,647	69,647
1.7 Exploration	(41,993)	(84,680)
Net operating cash flows	(212,577)	(389,862)

+ See chapter 19 for defined terms.

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	Current quarter \$A	Year to date (6 months) \$A
1.8 Net operating cash flows (carried forward)	(212,577)	(389,862)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	(75,000)
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets (exploration leases)	-	-
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	350
(e) other non-current assets	-	-
1.11 Loans to other entities	-	-
1.12 Loans repaid by other entities	-	-
1.13 Purchase of prospects	-	(300,000)
Net investing cash flows	-	(374,650)
1.14 Total operating and investing cash flows	(212,577)	(764,512)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	2,255,723	2,585,840
1.16 Proceeds from sale of forfeited shares	-	-
1.17 Proceeds from borrowings	-	-
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (capital raising costs)	-	-
Net financing cash flows	2,255,723	2,585,840
Net increase in cash held	2,043,146	1,821,328
1.21 Cash at beginning of quarter/year to date	48,173	269,990
1.22 Exchange rate adjustments to item 1.20	-	-
1.23 Cash at end of quarter	2,091,319	2,091,319

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A
1.24	Aggregate amount of payments to the parties included in item 1.2	75,381
1.25	Aggregate amount of loans to the parties included in item 1.11	-
1.26	Explanation necessary for an understanding of the transactions Directors' fees and salaries and related costs on normal commercial terms.	

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A	Amount used \$A
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

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Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A	Previous quarter \$A
4.1 Cash on hand and at bank	2,091,319	48,173
4.2 Deposits at call	-	-
4.3 Bank overdraft	-	-
4.4 Other	-	-
Total: cash at end of quarter (item 1.22)	2,091,319	48,173

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	-	-
5.2 Place of incorporation or registration	-	-
5.3 Consideration for acquisition or disposal	-	-
5.4 Total net assets	-	-
5.5 Nature of business	-	-

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: *Tim Wise*
Director

Date: 31 January 2007

Print name: Tim Wise

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
 - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
 - 9.2 - itemised disclosure relating to acquisitions
 - 9.4 - itemised disclosure relating to disposals
 - 12.1(a) - policy for classification of cash items
 - 12.3 - disclosure of restrictions on use of cash
 - 13.1 - comparative information
3. **Accounting Standards.** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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Quarterly Activities Report

Wasabi has increased its exposure to a broad range of resources and energy related projects which now include exploration for uranium in the Northern Territory and coal in Canada, renewable and energy efficient technology, and bio diesel production.

Wasabi has good exposure to future projects and opportunities in a wide range of areas through its major shareholders Xtract Energy plc and Cambrian Mining plc which have a combined market capitalisation of \$360 million.

Uranium Assets

Wasabi 100%

Wasabi has acquired three exploration leases, prospective for uranium, in the Northern Territory. Aeromagnetic and radiometric surveys have been flown to identify targets on the Woolner Dome and Mt Bundy properties.

Surveys of the Alice Springs tenement are due to commence as soon as weather conditions permit.

Joint Venture

Wasabi, through its subsidiary Rum Jungle Uranium Pty Ltd, has entered into a joint venture with Crescent Gold Ltd over tenements at Rum Jungle and near Tennant Creek in the Northern Territory. The tenements are considered highly prospective for Uranium. Rum Jungle Uranium has the right to earn up to a 75% interest in the properties by expending \$1.1 million by mid 2009.

Lillyburt Coal

Approvals are being sought for an initial drill programme to assist in determining the quality and quantity of the Lillyburt project.

Bio diesel Investment

Wasabi has entered into a joint venture with Cambrian Mining and Swann Capital Group whereby Wasabi has a 50% stake in a newly formed company, "Evolution Energy". Cambrian and Swann each have a 25% stake in the company.

The purpose of the company is to evaluate several opportunities in the ethanol and bio diesel industry. Evaluation of opportunities is continuing.

Evolution Energy has advanced \$325 000 to K E Engineering with the objective of having direct access to the engineering know how of an operating Australian bio diesel plant.

The plant is located at Laverton, Victoria. Bio diesel is anticipated to be produced late in the 4th quarter of 2006. Wasabi, for its contribution to the investment in K E Engineering, is to be paid a royalty on the first 20,000,000 litres of production. The total royalty payable is \$896,000.

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Renewable Energy Technology

Exergy Inc

Wasabi continued its support of the 46%-owned Exergy on the basis that it believes the technology provides sustainable efficiencies in what is considered to be a significant growth market. Licensees include Siemens (Europe), AMP Resources (USA), Geodynamics Ltd (Australia), X Orka (Iceland) and Ebara Corporation (Japan).

Of these licensees, both Ebara and X Orka have operating plants and have been providing power to industry and village residents respectively.

Licensees have made representations to Exergy that they have begun construction on a range of projects. Both Exergy and Wasabi continue to monitor progress carefully and are confident of securing royalty streams in addition to royalties already being received from Siemens in Europe.

Wasabi had been negotiating the sale of its interest in Exergy to a third party. The sale negotiations have been terminated with this party but Wasabi will continue to evaluate opportunities to realise a return on its investment in Exergy.

Kalex Licence

Wasabi has entered into a licensing agreement with the US based Kalex LLC (KALEX) that will significantly enhance Wasabi's capability to develop zero and low greenhouse gas emission power generation projects. This opportunity is particularly exciting for the Company given the opportunities that are rapidly emerging with global recognition of climate change problems and the need to reduce greenhouse gases.

Under the terms of the agreement Wasabi Energy has acquired a global licence to develop power projects utilizing KALEX system technology.

The acquisition of the KALEX licence complements Wasabi's existing technology investments and provides Wasabi Energy with access to a raft of other project development opportunities especially in the area of power production from waste heat.

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Corporate

Wasabi has entered into agreements that will further strengthen the company's energy asset base.

The agreements involve the purchase of a 50% interest in a joint venture with Danieli Corus, a world leader in steelmaking technology, and an 18.6% shareholding in Aviva Corporation Ltd, a prospective coal miner and power generator in the Central-West region of WA.

The acquisitions will be subject to shareholder approval and will involve the issue of 175 million new Wasabi shares and 25 million options exercisable at 3c per share on or before 30 June, 2008.

The Danieli Corus joint venture is a well-advanced research project into a method of producing char utilising an environmentally benign pyrolysis process. The process may have application in the steelmaking industry, in the pre-treatment of coal for coal liquefaction, in upgrading low grade coal to metallurgical quality and for extracting oil from oil shales.

Aviva (ASX code: AVA) holds extensive coal deposits near Geraldton, WA, and has embarked on pre-feasibility studies with a power company partner on the development of an electric power station in the rapidly-developing Central West iron ore province.

Exercise of Listed Options

At 30 June 2006, the Company had 142,376,038 listed options on issue. The options were exercisable at 2 cents each with an expiry date of 31 December 2006. The Company had an excellent take up with 129,292,001 options being exercised to raise approximately \$2.58 million. Of the 13,084,037 options that remained unexercised, 10 million options had been underwritten to raise a further \$200,000.

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