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CAPITAL RAISING VIA PLACEMENT FOLLOWED BY A NON RENOUNCEABLE PRO RATA ISSUE

Date:	30th November 2006
To:	Companies Announcement Office, ASX
By Electronic Lodgement	Number of Pages: 2

The Company has signed a Mandate with Patersons Securities Ltd ("Patersons") for Patersons to be appointed as Lead Manager for a Placement and as Lead Manager and Underwriter for a Non Renounceable Pro Rata Issue. The details are as follows:

a) A placement of 5,696,000 ordinary fully paid shares at 8 cents per share. The placement will only be made to professional and sophisticated investors as defined under the Corporations Law.
b) Following completion of the placement the Company will initiate a Non Renounceable Pro Rata Issue on the basis of one share for every four shares held by existing shareholders at a record date (yet to be announced). This issue of approximately 10,918,500 ordinary fully paid shares will be underwritten by Paterson's however an Underwriting Agreement has not yet been signed.
c) Due to the Non Renounceable Pro Rata Issue being initiated following completion of the placement, the shareholders that participated in placement will be eligible to participate in the Non Renounceable Pro Rata Issue.
d) Fees paid to Patersons comprise a management fee of $40,000, a Placement Fee of 5% of placement monies and an Underwriting Fee of 6% of the total amount underwritten under the Non Renounceable Pro Rata Issue.

The Company's directors have indicated that they will take up their entitlement under the Pro Rata issue. The Company's executive directors Peter Briggs and Stephen Thomas have also indicated they will take a further sub underwriting position, which would be fully disclosed in the Non Renounceable Pro Rata Issue Prospectus.

The Company's existing capital structure and the basic sequence of events for the two issues of shares is as follows:

- The Company currently has on issue 37,978,000 shares, 16,000,000 listed options, 8,000,000 unlisted options and 13,700,000 unlisted Converting Incentive Preference Shares.
- The Placement of 5,696,000 shares at 8 cents each will raise $455,680 (less fees).
- Following the Placement the Company will have on issue 43,674,000 shares, 16,000,000 listed options, 8,000,000 unlisted options and 13,700,000 unlisted Converting Incentive Preference Shares.
- Following receipt of the monies and issue of shares pursuant to the Placement, the Company will lodge a Prospectus for the Non Renounceable Pro Rata Issue. This

means that the shares participating in the Placement will also be entitled to participate in the Non Renounceable Pro Rata Issue.

- In accordance with the ASX Listing Rules a minimum notice of 5 business days will be given to shareholders of the record date to identify shareholders able to participate in the Non Renounceable Pro Rata Issue. The record date has not been set at this point in time.
- The Non Renounceable Issue (which is to be fully underwritten) on the basis of one share for every four shares held at the record date will result in approximately 10,918,500 shares being issued at 8 cents each raising a total of $873,480 (less fees).

The total amount raised under the two issues will therefore be $1,329,160 less fees to Paterson's and other expenses of the issues.

In accordance with the ASX Listing Rules the Company advises:

- The class of securities to be issued is ordinary fully paid shares.
- The number of securities to be issued is 5,696,000 under the Placement and approximately 10,918,500 under the Non Renounceable Pro Rata Issue with entitlements being rounded up.
- The shares will rank equally with all ordinary fully paid shares.
- The Placement of 5,696,000 shares will be made pursuant to the Company's capacity under the ASX Listing Rules to issue the equivalent of 15% of shares on issue without shareholder approval. Shareholder approval will not be sought for this issue.
- The Non Renounceable Pro Rata Issue does not require shareholder approval because the issue is made to existing shareholders on the record date to be set.

APPLICATION OF FUNDS

The Non Renounceable Pro Rata Issue will be initiated as soon as possible after completion and issue of shares pursuant to the Placement. Consequently it is only meaningful to consider the utilisation of the funds raised under both issues. Funds raised under both issues will be applied towards further evaluation of the Burkesville Kentucky Oil Project; to fund ongoing activities at the Company's offshore oil and gas projects and onshore Coal Seam Methane Projects and to augment working capital.

Peter Briggs
Executive Chairman