

ASX

Announcement

23 February 2012

Half Year Report

The Board of Directors of Wasabi Energy Limited (ASX:WAS AIM:WAS ADR:WSBLY) present the financial report of the Company and its subsidiaries for the six months ended 31 December 2011.

Major milestones achieved by Wasabi Energy and its entities in the six months to 31 December 2011 include:

- The signing of a term sheet with ArcelorMittal South Africa for two build own operate Kalina Cycle® power plants of 6 MW and 24 MW at their Vanderbeijpark steel plant in South Africa
- Establishment of a Turkish subsidiary, Imparator Enerji to pursue opportunities for Kalina Cycle® power in the renewable and industrial sectors
- On time procurement for major components for the 8.6MW Kalina Cycle® power plant project with FL Smidth at the DG Khan cement works in Pakistan
- Establishment of an American Depository Receipt (ADR) programme in the United States with trading on OTCQX expected to commence in February 2012.
- Consolidation of ownership position to 79% in Aqua Guardian Group
- Sales to local water utilities and councils of AquaArmour™ for evaporation and algal control

The Loss for the period of \$5,216,238 was as expected as the Group undertakes its expansion phase having established its products and offerings in a number of sectors. This Loss is represented by a gross profit from operations of \$624,737, exchange gains of \$387,057 and expenses of approximately \$2,700,000. In addition, the holding in Australian Renewable Fuels Limited (ARF) was marked down by \$2,872,606 under the applicable Australian Accounting Standard to its 31 December 2011 trading price of 1.4c.

The Group has already realised its cash investment in ARF from earlier sales of ARF shares and options and therefore its holding, while creating a loss under the accounting standards will represent a positive cash flow at the time of any future disposal.

The Company's non-core listed investments have a current market value of over \$5,000,000 and the Board expects to realise these investments in part or in whole in the short term.

Mr. John Byrne, Executive Chairman of Wasabi Energy, commented:

"This has been an extremely exciting and busy period for Wasabi. GGL has gained real traction with its outstanding Kalina Cycle technology, and the ongoing sales of Aqua Guardian's AquaArmour™ to Utility customers along with significant interest from Mining companies provides a growing pipeline for them."

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Half-year financial report for the half-year ended 31 December 2011

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CORPORATE DIRECTORY

Directors:	Mr John Byrne Mr Stephen Morris Dr Malcolm Jacques Mr Robert Reynolds Mr Robert Vallender	Executive Chairman Executive Director Executive Director Non-executive Director Non-executive Director
Company Secretary:	Mr Alwyn Davey	
Registered Office:	Level 9 175 Collins Street Melbourne VIC 3000 Telephone: + 61 3 9663 7132 Facsimile: + 61 8 9650 0066	
Principal Place of Business:	Level 9 175 Collins Street Melbourne VIC 3000 Telephone: + 61 3 9663 7132 Facsimile: + 61 8 9650 0066	
Share Registry:	Computershare Registry Services Pty Limited Yarra Falls, 452 Johnston Street, Abbotsford, Vic, Australia, 3067 Telephone: 1300 787 272	
Bankers:	ANZ Royal Bank Branch 293 Collins Street Melbourne VIC 3000	
Auditors:	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne VIC 3000 Telephone: + 61 3 9671 7000 Facsimile: + 61 3 9671 7001	
Solicitors:	Gadens Lawyers Level 25 Bourke Place 600 Bourke Street Melbourne VIC 3000	
Stock Exchange:	The Company is listed in the Australian Stock Exchange, the AIM market of the London Stock Exchange Plc and American Depository Interests on the OTC.	
Other Information:	Wasabi Energy Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares. ASX code: WAS AIM code: WAS OTC code: WSBLY	

Directors' report

The directors of Wasabi Energy Limited present the financial report of the company and its subsidiaries for the half-year ended 31 December 2011. In order to comply with the provisions of the *Corporation Act 2001*, the directors report as follows:

The names of the directors of the company during or since the end of the half-year are:

Mr John Byrne
Executive Chairman

Mr Stephen Morris
Executive Director

Dr Malcolm Jacques
Executive Director

Mr Robert Reynolds
Non-executive Director

Mr Robert Vallender
Non-executive Director

Review of operations

The total loss of the consolidated entity attributable to the owners of the parent for the half year ended 31 December 2011 was \$5,216,238 (2010: net loss \$2,488,035). This equates to a basic loss per share of 0.23 cents (2010: basic loss per share of 0.17 cents). This loss is represented by a gross profit from operations of \$624,737, exchange gains of \$387,051 and expenses of approximately \$2,700,000. In addition, the holding in Australian Renewable Fuels Limited (ARF) was marked down by \$2,872,606 under the applicable Australian Accounting Standard to its 31 December 2011 trading price of 1.4c. The Group has already realised its cash investment in ARF from earlier sales of ARF shares and options and therefore its holding, while creating a loss under the accounting standards will represent a positive cash flow at the time of any disposal.

Highlights

In the half year to 31 December 2011 the ongoing focus by our entities was on the delivery of our existing contracts and building new business ventures.

Wasabi Energy continues to deliver on its core strategy of becoming a major international, profitable, renewable energy and clean technology company, building on its established platform of strategic investments in the green power, water conservation and clean technologies. Our business is focused on delivering solutions to global sustainability challenges particularly power production through our Kalina Cycle[®] technology, which is owned by the Company's 100% owned subsidiary Global Geothermal Limited, and water conservation through AquaArmour[™] and the 79% owned subsidiary, Aqua Guardian Group. In addition, we hold a number of strategic investments including approximately 13% of Australian Renewable Fuels (ASX: ARW), a biodiesel producer, and approximately 26% of Clean TeQ (ASX: CLQ) an environmental solutions provider in water and air quality and mineral recovery, through our holdings in Aqua Guardian Group. The activities of these two entities will be more formally reported through their announcements to the Australian Stock Exchange.

Major milestones achieved by Wasabi Energy and its entities in the six months to 31 December 2011 include:

- The signing of a term sheet with ArcelorMittal South Africa for two build own operate Kalina Cycle[®] power plants of 6 MW and 24 MW at their Vanderbeijlpark steel plant in South Africa
- Establishment of a Turkish subsidiary, Imparator Enerji to pursue opportunities for Kalina Cycle[®] power in the renewable and industrial sectors
- On time procurement for major components for the 8.6MW Kalina Cycle[®] power plant project with FL Smidth at the DG Khan cement works in Pakistan
- Establishment of an American Depository Receipt (ADR) programme in the United States with trading on OTCQX expected to commence in February 2012.
- Consolidation of ownership position to 79% in Aqua Guardian Group
- Sales to local water utilities and councils of AquaArmour[™] for evaporation and algal control

DIRECTORS' REPORT

Review of operations (continued)

During the past six months we once again saw the global focus on climate change with the UN COP 17 in Durban in December 2011. The debate continues at both government and non-government levels as to the most effective way to mitigate the effects of global warming. Our ongoing focus on achieving climate change mitigation through energy efficiency was further validated in September 2011 with the Californian Government formally recognising waste heat to energy as a renewable source and including waste heat to energy initiatives in their Self-Generation Incentive Program. This opens up a number of incentives and feed-in tariffs to the local industry and many opportunities for the Kalina Cycle®.

It is commonly agreed that most countries in the world that have emission reduction targets are unlikely to meet them within their desired timeframe by focusing on renewable energy sources alone while excluding energy efficiency. With industry producing over 50% of all energy related greenhouse emissions, and of the consumed energy more than 50% is released as waste heat, there is a vast opportunity to capture the heat and turn it into usable power. The inclusion of waste heat to energy as a mitigating measure will greatly assist countries in meeting their emission targets.

The Kalina Cycle® is the most efficient way of turning heat to power, especially at low temperatures. It takes waste heat from industrial processes or a renewable source, such as geothermal hot water, and turns it into useable electricity for the industrial process or as electricity into the grid.

A major milestone was reached in November 2011 with the announcement of the signing of a term sheet with ArcelorMittal South Africa for a 30MW Kalina Cycle® power plant to be built in two stages, an initial 6 MW followed by 24 MW at the Vanderbijlpark Steel Works in South Africa.

The iron and steel industries are energy intensive consuming large amounts of electricity. ArcelorMittal South Africa has been leading the way in reducing its emissions and is a signatory to the National Energy Accord in South Africa. They have a target of reducing their energy by consumption by 12% by 2014. ArcelorMittal globally, has also set a target to reduce its CO₂ emissions by 8% by 2020 through process improvements and energy efficiency.

ArcelorMittal South Africa is the largest steel producer on the African continent, with a production capacity of 7.8 million tonnes of liquid steel per annum. ArcelorMittal South Africa is the largest supplier of flat steel products in Africa and Vanderbijlpark has the capacity to produce 4.4 million tonnes of liquid steel per annum, which constitutes some 78% of South Africa's flat steel requirements. ArcelorMittal South Africa is 52% owned by ArcelorMittal, the world's largest steel producer with steel plants in 60 countries and crude steel production of 90.6 million tonnes, equivalent to 8% of the world's steel output through 65 integrated, mini- mills and integrated mini-mill facilities.

Wasabi Energy is working with ArcelorMittal South Africa to implement two Kalina Cycle® power plants using the heat from its hot strip mills. The Kalina Cycle® power plants will have a combined generation capacity of 30 MW or approximately 249,660,000 kW hours of electricity which will be used by the Vanderbijlpark steel works providing significant improvements in its energy usage. Using CO₂ reductions already achieved at the plant as a guide, the implementation of the Kalina Cycle® power plants is expected to reduce its CO₂ emissions by a further 258,000 tonnes per annum.

The project is a build, own, operate by Wasabi Energy and is currently in its feasibility stage which is progressing well. Under the term sheet agreement ArcelorMittal South Africa will supply waste heat from its hot strip mills at no cost. Wasabi Energy will then sell back to ArcelorMittal South Africa the electricity produced by the Kalina Cycle® power plants under a long term power purchase agreement. After a successful feasibility study and relevant permitting the first 6 MW Kalina Cycle® power plant is expected to be operational in the second half of 2013.

Within a region of high industry intensity and increasing power pricing we are investigating a number of opportunities for the application of the Kalina Cycle® in sub Saharan Africa.

Wasabi Energy is currently looking at the corporate structure and funding for the Kalina Cycle® power plants and this may include a public listing of a subsidiary company for Sub Saharan Africa.

On 21 September 2011 Wasabi Energy also announced the establishment of a Turkish subsidiary called Imparator Green Energy that will pursue Kalina Cycle® project development opportunities in Turkey as an independent power producer.

Turkey has had sustained growth in its economy over the past decade resulting in an exponential increase in its power consumption. In order to reduce dependence on imported energy, the Turkish Government has undertaken a number of power reforms to open the market to independent power producers as well as stimulate the local renewable energy sector.

Geothermal resources are abundant within Turkey, and it is widely recognised as holding the most significant geothermal resources in Europe with estimates of potential power generation capacity ranging from 2,000 - 4,500 MW. Turkey currently has approximately 100 MW of operating geothermal capacity, however the recently announced geothermal tariff of US\$0.105/kWh has stimulated the industry with more than 100 MW of power plant contracts being awarded.

DIRECTORS' REPORT

Review of operations (continued)

Turkey has also implemented the majority of European legislation relating to energy efficiency in an effort to be more efficient in its utilisation of power. Many of the energy intensive markets being targeted currently by Wasabi Energy for the adoption of the Kalina Cycle[®] to improve energy efficiency such as the steel, petrochemical and power generators, are all major industries in Turkey and provide immediate opportunities for Imparator.

Business development activities have been progressing and Imparator has been intensively evaluating a number of Kalina Cycle[®] power projects including commercial negotiations and active discussions with a number of large energy focused companies in Turkey. In addition, Imparator has also conducted evaluations on a number of significant geothermal projects. The preliminary evaluations and thermodynamic modelling confirm performance advantages over the alternative technologies in the Turkish market.

Wasabi Energy has continued to focus on the delivery of existing projects for the Kalina Cycle[®] in the six months to 31 December 2011, including the DG Khan cement plant with FLSmidth in Pakistan, delivery of the EcoGen unit to Japan, development of the Husavik plant in Iceland, ongoing evaluation of Taufkirchen in Germany and the implementation of the Kalina Cycle[®] license with FLSmidth including intensive training. These activities will be explained in more detail in the Global Geothermal section below.

On 6 December 2011 Wasabi Energy announced that it is increasing its ownership interest in the Aqua Guardian Group from 47.5% to 79% through the conversion of \$4.2 million of intercompany loans into equity. Aqua Guardian Group is a water based company that is focused on the deployment of a water conservation product called Aqua Armour[™]. The consolidated ownership position provides Aqua Guardian Group with a clean balance sheet and increased flexibility to pursue and secure business growth and expansion opportunities. In addition to its flagship water conservation product Aqua Armour[™], the Aqua Guardian Group also owns approximately 26% of ASX listed clean technology company Clean TeQ (ASX: CLQ), a provider of innovative clean technology solutions for the air and water treatment markets.

Global Geothermal (GGL)

GGL holds the intellectual property rights for the Kalina Cycle[®] and has its own engineering subsidiary, Recurrent Engineering that undertakes the design, procurement and commissioning of Kalina power plants. The Kalina Cycle[®] is licensed through GGL to selected licensees for an upfront fee and then a royalty for every installed megawatt of power generation.

In June 2011 we announced a licensing agreement with FLSmidth a global provider of cement and lime plants. The licence was for all regions of the world except for China where there is already a licensee, Shanghai Shenghe New Energy Resources Power and Technology Co (SSNE). As part of the license agreement for the Kalina Cycle[®] with FLSmidth there is intensive training which was conducted in August 2011 as well as engineering support for the first four projects.

FLSmidth have been very active within the industry and have established a group within their company structure focused on energy efficiency. A number of Kalina Cycle[®] power plants have been reviewed and are progressing with their clients.

In addition, we have a contract with FLSmidth for the design, procurement and commissioning of an 8.6 MW Kalina Cycle[®] power plant at the DG Khan cement plant in Khairpur, Pakistan. This will be the largest Kalina Cycle[®] power plant built to date. All of the major components for the Kalina Cycle[®] power plant have been procured on time and within budget. Construction will commence on site in the coming months and completion is expected mid 2012.

GGL's licensee for China, the government-owned Shanghai Shenghe New Energy Resources Power and Technology Co (SSNE) has been focused on business development as well as the construction of an EcoGen Kalina Cycle[®] prepackaged power unit for GERD in Japan. The miniaturised units will produce 50 kW of power from the hot springs in Japan. The unit was delivered to Japan in November and commissioning was completed in December 2011. It is currently undergoing an extended period of testing and commissioning to optimise performance and to ensure power generation is maximised during fluctuations in the enthalpy parameters which is common in hot springs. Another EcoGen unit is in the United States will be fitted with any improvements resulting from the commissioning prior to shipment to Japan.

Daldrup & Söhne AG through its subsidiaries Geysir and Exorka the German licensee for the Kalina Cycle[®], together with the Swiss utility, AXPO, are developing a geothermal resource at Taufkirchen in Germany through a company called Geothermie Taufkirchen. In June 2011 we announced the signing of a term sheet with Geysir that could lead to equity in the final project through the design and supply of the Kalina Cycle[®] power plant.

Taufkirchen is a suburb of Munich, Germany and is a few kilometers from an existing Kalina Cycle[®] power plant at Unterhaching. The geothermal resources in Germany provide both power and district heating to the local communities.

DIRECTORS' REPORT

Review of operations (continued)

In December 2011 Geothermie Taufkirchen announced that it had hit the resource and flow tests have since been conducted along with power purchase and district heating agreements. A second well is currently being drilled. GGL has been evaluating the resource and an outcome on the project is expected in late Q1 of 2012.

The Husavik Kalina Cycle[®] power plant in Iceland which GGL acquired in early 2011 is in the process of being refurbished. Issues were discovered with the existing turbine and there have been lengthy discussions with General Electric on a solution. These discussions are nearing their conclusion and the outcome of this will see an acceleration of the refurbishment program.

During the second half of the year additional engineering resources were recruited to the Houston office of Recurrent Engineering in response to the increasing demand for project evaluation and design work.

The business development activities continue in the petrochemical industry as well as a number of other industry sectors such as glass manufacture, power generation and mining. Many of these discussions are well advanced and projects are being constantly evaluated.

AquaGuardian Group Ltd (AGG)

Following the launch of its product in late 2010, AGG has been focused on the rollout of its innovative evaporation and algal control system, the patented AquaArmour[™] product. AquaArmour[™] is a self ballasting module designed for large scale deployment on water storages and dams. AquaArmour[™], designed for long product life can reduce evaporation by up to 88% and has been demonstrated to inhibit algal growth by reducing up to 95% of the UV and visual light from penetrating water surfaces, thereby reducing water temperatures. The AquaArmour[™] product can be quickly and safely deployed in a wide range of applications including environments in populated and remote areas. Key markets for the AquaArmour[™] product include water utilities, mining companies, aquaculture and a range of other industries.

A large scale trial of the product has been undertaken with Goulburn Wimmera Mallee Water at their Ouyen site which supplies the town water to the community. An independent report by SA Water verified the product evaporation and water quality claims. This site is continuing as a trial area as we refine the product and its deployment on very large scales of several hectares.

The installation at Gippsland Water in southeast Australia was supplied as an algal control mechanism. Following the floods that devastated parts of Australia in early 2011 the prediction of large algal blooms has been realised within many southern Australian river systems. Recent reports from Gippsland Water confirm that the incidence of algal blooms has dramatically decreased and the water storage areas that normally would have been flushed multiple times by this point in the summer season have not yet required flushing. This provides not only water savings for the utility but also energy savings in pumping and water treatment.

In late 2011 approximately 1 hectare of AquaArmour[™] modules were deployed for two local water authorities in South Australia and Victoria. The modules were deployed across three separate sites.

Progress has been made with the establishment of a joint venture in Northern America and discussions with a potential partner are well advanced. In addition discussions are underway for a reference site in the western United States. Plans are being developed for a number of country and regional based joint ventures which will result in an accelerated global rollout.

As a result of the growth and market potential for the AquaArmour[™] product, we appointed a full time Chief Executive Officer to AGG in November to oversee the large scale deployment of AquaArmour[™] in key markets and lead the company to the next stage of its development. AGG is currently focused on the ongoing development of the product and its markets.

In December 2011, Wasabi Energy agreed to convert its debt to equity which resulted in the ownership increasing to 79% of Aqua Guardian Group in February 2012.

AGG also owns approximately 26% of Clean TeQ. Clean TeQ has been developing its business and has reported to the ASX on 16 February 2012 over \$5m in revenue and a net profit after tax of \$107,000. On 3 February 2012 CleanTeQ announced a joint venture with Nippon Gas for water desalination plants in the coal seam gas industry in Australia where a major problem is water. Clean TeQ already has two plants under construction in the coal seam gas industry and it is expected that this will be a growth market.

DIRECTORS' REPORT

Review of operations (continued)

Australian Renewable Fuels (ARF)

Wasabi continued its support for ARF as it develops its market and raw material feedstock supply for its biodiesel refineries at Picton, Western Australia, Largs Bay, South Australia, and Barnawatha in Victoria.

During the past six months ARF underwent management changes as well as a board reorganisation. At the annual general meeting the new management team announced a new export contract that had significantly increased the production in November 2011. On 31 January 2012 the management confirmed that they have secured an export contract for 4 million litres per month over the next 3 to 4 months with an option for 9 months.

In addition, Shell, a major customer, has confirmed contract volumes for the next two years with a minimum of 40 million litres per annum. The plants are expected to be at or near capacity by the end of 2012 and with a source of Recycled Mill Oil as a potential feedstock, ARW should return to positive cashflows.

The acquisition of the biodiesel refinery at Barnawatha from Biodiesel Producers Ltd was finalised in November 2011.

The favourable government initiatives for biodiesel in fuels and the antidumping tariffs alongside the export opportunities offer a broad market for ARF. With a production capacity of 150 million litres of biodiesel annually ARF expects to be at or near capacity by the end of the year and are well placed to service a substantially broader market in biodiesel.

Investments

The Market value of Investments listed on Australian Stock Exchange and Toronto Stock Exchange in Australian dollars as at 15 February 2012 was \$5,856,936:

Corporate

Loss for the half year attributed to owners of the parent was \$5,216,238

During the half year ended 31 December 2011, the Company issued 207,800,124 ordinary shares for gross proceeds of \$2,078,001 on account of options exercised. Capital raising cost amounted to nil.

Auditor's independence declaration

The auditor's independence declaration is included on page 9 of the half-year financial report.

Signed in accordance with a resolution of directors' made pursuant to S.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

John Byrne
Director
Melbourne, 22 February 2012

The Board of Directors
Wasabi Energy Limited
Level 9, 175 Collins St
MELBOURNE VIC 3000

22 February 2012

Dear Board Members

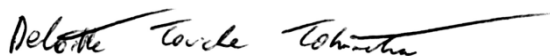
Wasabi Energy Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Wasabi Energy Limited.

As lead audit partner for the review of the financial statements of Wasabi Energy Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountant

Independent Auditor's Review Report to the Members of Wasabi Energy Limited

We have reviewed the accompanying half-year financial report of Wasabi Energy Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2011, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Wasabi Energy Ltd's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Wasabi Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

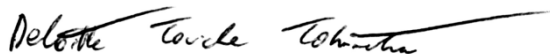
Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Wasabi Energy Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Wasabi Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



Ian Sanders
Partner
Chartered Accountants
Melbourne, 22 February 2012

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards, and give a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to S.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

John Byrne
Director
Melbourne, 22 February 2012

**Condensed consolidated statement of comprehensive income
for the half-year ended 31 December 2011**

	Consolidated	
	Half-year ended 31 Dec 2011	Half-year ended 31 Dec 2010
	\$	\$
Continuing operations		
Revenue	3,710,946	378,142
Cost of sales	(3,086,209)	(144,585)
Gross (loss)/profit	624,737	233,557
Other revenue	52,209	(322,571)
Finance income	167,464	107,665
Employee benefits expenses	(1,293,464)	(1,413,389)
Administration expenses	(567,316)	(447,617)
Depreciation and amortisation expenses	(60,359)	(55,706)
Travel expenses	(566,377)	(427,394)
(Loss)/Gain on revaluation of financial assets fair valued through profit and loss	(88,000)	1,310,793
Impairment of associates	-	(179,356)
Impairment on Investment classified as held for sale	(2,872,606)	-
Legal and professional fees	(885,184)	(681,796)
Patent costs	(97,046)	(101,560)
Exchange variation	387,051	(532,559)
Fair value (loss)/gain on options	(24,318)	1,360,495
Finance costs	(14,567)	(246,373)
Loss from equity accounted investees	-	(1,150,648)
	(5,237,776)	(2,546,461)
Loss before tax	(5,237,776)	(2,546,461)
Income tax benefit	-	-
	(5,237,776)	(2,546,461)
Attributed to:		
Owners of the parent	(5,216,238)	(2,488,035)
Non-controlling interest	(21,538)	(58,426)
	(5,237,776)	(2,546,461)
Other comprehensive income		
Exchange reserve arising on translation of foreign operations	9,149	408,697
(Loss)/Gain on available for sale reserve	296,374	1,002,726
Other comprehensive income for the period	305,523	1,411,423
Total comprehensive income for the period	(4,932,253)	(1,135,038)
Total comprehensive loss attributed to:		
Owners of the parent	(4,910,823)	(1,066,251)
Non-controlling interest	(21,430)	(68,787)
	(4,932,253)	(1,135,038)
Earnings per share		
From continuing and discontinued operations:		
Basic and diluted (cents per share)	(0.23)	(0.17)

Notes to the condensed consolidated financial statements are included on pages 18 to 20.

**Condensed consolidated statement of financial position
as at 31 December 2011**

		Consolidated	
		31 Dec 2011	30 June 2011
	Note	\$	\$
Current assets			
Cash and cash equivalents		1,035,669	5,223,011
Trade and other receivables		3,293,243	3,644,182
Other financial assets		160,836	302,333
Non current assets held for sale		4,424,359	7,005,057
Total current assets		8,914,107	16,174,583
Non-current assets			
Trade and other receivables		4,288,567	34,412
Assets classified as available-for-sale		603,643	946,495
Investments accounted for using the equity method	3	-	-
Property, plant and equipment		331,379	169,923
Intangible assets		402,047	179,658
Total non-current assets		5,625,636	1,330,488
Total assets		14,539,743	17,505,071
Current liabilities			
Trade and other payables		1,646,009	1,160,853
Borrowings	4	-	446,155
Provision		96,189	170,725
Total current liabilities		1,742,198	1,777,733
Non-current liabilities			
Trade and other payables		302,113	377,654
Total non-current liabilities		302,113	377,654
Total liabilities		2,044,311	2,155,387
Net assets		12,495,432	15,349,684
Equity			
Issued capital	5	50,440,898	48,362,897
Reserves		1,603,834	1,298,419
Accumulated losses		(39,398,083)	(34,181,845)
Total equity attributable to equity holders of the company		12,646,649	15,479,471
Non controlling interest		(151,217)	(129,787)
Total equity		12,495,432	15,349,684

Notes to the condensed consolidated financial statements are included on pages 18 to 20.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2011**

	Consolidated								
	Issued capital and contributed equity	Investments revaluation reserve	Foreign currency translation reserve	Share based payments reserve	Other reserves	Accumulated losses	Attributable to owners of the parent	Non controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2010	34,125,003	154,384	(112,824)	2,356,886	(2,099,334)	(33,734,933)	689,182	(175,435)	513,747
Movements in available-for-sale Investments	-	1,002,726	-	-	-	-	1,002,726	-	1,002,726
Movement in foreign exchange values	-	-	281,484	-	-	-	281,484	127,213	408,697
Loss for the period	-	-	-	-	-	(2,488,035)	(2,488,035)	(58,426)	(2,546,461)
Total comprehensive loss for the period	-	1,002,726	281,484	-	-	(2,488,035)	(1,203,825)	68,787	(1,135,038)
New issues	9,273,388	-	-	-	-	-	9,273,388	-	9,273,388
Capital raising costs	(1,075,157)	-	-	-	-	-	(1,075,157)	-	(1,075,157)
Recognition of share-based payments	-	-	-	494,763	-	-	494,763	-	494,763
Differences arising on acquisition of further non-controlling interest In Global Geothermal	-	-	-	-	(469,129)	-	(469,129)	(2,071)	(471,200)
Balance at 31 December 2010	42,323,234	1,157,110	168,660	2,851,649	(2,568,463)	(36,222,968)	7,709,222	(108,719)	7,600,503

Notes to the condensed consolidated financial statements are included on pages 18 to 20.

**Condensed consolidated statement of changes in equity
for the half-year ended 31 December 2011 (cont)**

	Consolidated								
	Issued capital and contributed equity \$	Investments revaluation reserve \$	Foreign currency translation reserve \$	Share based payments reserve \$	Other reserves \$	Accumulated losses \$	Attributable to owners of the parent \$	Non controlling interest \$	Total \$
Balance at 1 July 2011	48,362,897	690,692	121,379	3,658,341	(3,171,993)	(34,181,845)	15,479,471	(129,787)	15,349,684
Movements in available-for-sale Investments	-	296,374	-	-	-	-	296,374	-	296,374
Movement in foreign exchange values	-	-	9,041	-	-	-	9,041	108	9,149
Loss for the period						(5,216,238)	(5,216,238)	(21,538)	(5,237,776)
Total comprehensive loss for the period	-	296,374	9,041	-	-	(5,216,238)	(4,910,823)	(21,430)	(4,932,253)
Exercise of Options	2,078,001	-	-	-	-	-	2,078,001	-	2,078,001
Balance at 31 December 2011	50,440,898	987,066	130,420	3,658,341	(3,171,993)	(39,398,083)	12,646,649	(151,217)	12,495,432

Notes to the condensed consolidated financial statements are included on pages 18 to 20.

**Condensed consolidated cash flow statement
for the half-year ended 31 December 2011**

	Consolidated	
	Half-year ended 31 Dec 2011	Half-year ended 31 Dec 2010
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,434,896	409,185
Interest and finance costs paid	(14,567)	(6,853)
Payments to suppliers and employees	(5,771,473)	(3,148,911)
Sundry income	1,500	-
	(4,349,644)	(2,746,579)
Net cash used in operating activities		
Cash flows from investing activities		
Interest received	28,539	160,407
Proceeds from sale of equity investments	500,810	1,729,442
Payment for increased shareholding in subsidiaries and associates	-	(750,000)
Payment for plant and equipment	(125,038)	(58,427)
Payment for new projects	(118,195)	-
Payment for equity investment	(129,035)	-
Loans to related party	(1,860,797)	(774,663)
Loan repaid by related party	33,421	1,350,751
	(1,670,295)	1,657,510
Net cash (used)/provided in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	2,078,001	8,450,610
Proceeds from borrowings	-	1,025,000
Repayment of borrowings/convertible notes	(446,155)	(2,550,232)
Capital raising costs	-	(1,070,625)
	1,631,846	5,854,753
Net cash provided by financing activities		
Net decrease in cash and cash equivalents	(4,388,093)	4,765,684
Cash and cash equivalents at the beginning of the period	5,223,011	226,103
Effect of movement in exchange rates on cash balances	200,751	(339,648)
	1,035,669	4,652,139
Cash and cash equivalents at the end of the period		

Notes to the condensed consolidated financial statements are included on pages 18 to 20.

Notes to condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2011 annual financial report for the financial year ended 30 June 2011, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group had adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations and effective for the current reporting period. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

2. Segment information

The following is an analysis of the Group's revenue and results by reportable operating segments for the periods under review:

	Revenue		Segment loss	
	Half-year ended		Half-year ended	
	31 Dec 2011 \$	31 Dec 2010 \$	31 Dec 2011 \$	31 Dec 2010 \$
Continuing operations				
Investments	219,673	-	(4,332,821)	(155,900)
Geothermal	3,710,946	378,142	(904,955)	(1,239,913)
	3,930,619	378,142	(5,237,776)	(1,395,813)
Share of losses of associates	-	-	-	(1,150,648)
Consolidated segment revenue and loss for the period	3,930,619	378,142	(5,237,776)	(2,546,461)

The revenue reported above represents the revenue generated from external customers.

Segment loss represents the loss incurred by each segment without the allocation of share of losses of associate, interest revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by reportable operating segment

	Consolidated	
	31 Dec 2011 \$	30 Jun 2011 \$
	Investments	11,316,143
Geothermal	3,223,600	1,250,731
Total segment assets	14,539,743	17,505,071
Unallocated assets	-	-
Total assets	14,539,743	17,505,071

3. Investments accounted for using the equity method

Name of entity	Country of incorporation	Principal activity	Ownership interest	
			31 Dec 2011 %	30 June 2011 %
Associates				
Aqua Guardian Group	Australia	Water conservation	47.5	47.5

	Consolidated	
	31 Dec 2011	30 June 2011
	\$	\$
Reconciliation of movement in investment accounted for using the equity method:		
Balance at start of period	-	566,178
Reclassification as held for sale	-	(507,863)
Additional investment in associate	-	2,187,263
Share of losses	-	(2,245,578)
Impairment charge	-	-
Balance at end of period	-	-

Dividends received from associates

No dividends were received during the half year (31 December 2010: Nil) from the associates.

4. Borrowings

	Consolidated	
	31 Dec 2011	30 June 2011
	\$	\$
Loans from:		
Director related entity (unsecured) (i)	-	446,155
	-	446,155

(i) The loan carried an interest rate of 10% per annum.

Disclosed in the financial statements as:

Current borrowings	-	446,155
	-	446,155

5. Contributed equity

	31 Dec 2011	30 June 2011
Ordinary Shares	No. Shares	No. Shares
Fully paid	2,403,273,052	2,195,472,928
Movement during the half year		
Opening Balance	2,195,472,928	1,425,182,451
Movements during the period	207,800,124	770,290,477
	2,403,273,052	2,195,472,928

During the half year ended 31 December 2011, 207,800,124 options were exercised at \$0.01.

The following Options were on issue at 31 December 2011:

Tranche	Number	Exercise Price	Expiry Date
Tranche 1 (granted 20 November 2009)	42,128,929	1.6 cents	30 September 2012
Tranche 2 (granted 19 January 2010)	8,000,000	2.0 cents	30 September 2012
Tranche 3 (granted 20 November 2010)	10,000,000	1.6 cents	30 September 2012
Tranche 4 (granted 20 December 2010)	30,000,000	2.8 cent	30 September 2012
Tranche 5 (granted 25 February 2011)	47,500,000	3.9 cent	24 February 2013
Tranche 6 (granted 28 April 2011)	10,000,000	3.4 cent	31 March 2014

6. Subsequent events

On 7 February, 2012 Aqua Guardian Group (AGG) converted \$4,254,156 debt owing to Wasabi, by issuing 85,083,120 ordinary shares at 5 cents each in AGG. As a result of this Wasabi's holding in AGG has increased from 47.5% to 79.2%. Further on the same day AGG consolidated the share at 1 for every four on issue.

The following tables detail the book values of AGG assets and liabilities acquired and the estimated fair values of assets and liabilities. Pending finalisation of the company's determination of the fair value of the acquired net assets, the difference between the purchase price and the fair value of the acquired net assets will be allocated to goodwill. As permitted by AASB 3, all acquired assets and liabilities will be provisionally accounted for up to 12 months from acquisition date while the Company finalises its determination of the respective fair values and the identification of any further assets or liabilities acquired.

	Provisional Pre-acquisition carrying amounts (a) \$	Provisional Fair Value of adjustments (b) \$	Provisional Values recognised on acquisition \$
Cash and receivables	278,953	-	278,953
Inventory	3,268	-	3,268
Property, Plant and Equipment	487,062	-	487,062
Patents	1,181,143	-	1,181,143
Investments	1,287,236	1,552,672	2,839,908
Trade and other payables and provisions	(1,295,417)	-	(1,295,417)
	<u>1,942,245</u>	<u>1,552,672</u>	<u>3,494,917</u>

De-recognition of original Investment in AGG

	\$
Fair value of previously-held interest	1,323,700
Less: carrying amount	-
Anticipated gains / (losses) to be recognised in profit and loss	<u>1,323,700</u>

Recognition of Controlling Interest in AGG

	\$
Fair value of consideration given for controlling interest	4,254,156
Fair value of non-controlling interest	579,641
Fair value of previously-held interest	<u>1,323,700</u>
Sub-total	6,157,497
Less fair value of net assets acquired	<u>3,494,917</u>
Goodwill	<u>2,662,580</u>

- (a) Represents book values calculated in accordance with the accounting policies of AGG prior to acquisition by the company.
- (b) The material adjustments for acquisition accounting principally relate to valuation of marketable securities at market value on acquisition date.

No other matters or circumstances have arisen since the end of the half year which significantly affect or may significantly affect the Company's operations, the results of those operations or the state of affairs in subsequent financial years.