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4 October 2011

COMPANY UPDATE

Closure of Rights Issue Capital Raising

Westralian Gas and Power Limited closed its non-renounceable offer to eligible shareholders on 20 September 2011, having raised \$900,393 before costs from entitlement acceptances. The offer was underwritten by Pendulum Capital Pty Limited. This capital raising, together with the previous cash reserves will provide the Company with a capacity to aggressively pursue its exploration interests and further enhance its oil and gas assets by new acquisitions.

Nevada Oil and gas Leases

Sunset Energy LLC, a wholly owned subsidiary of Westralian Gas and Power Limited has acquired approximately 17,000 acres in nine oil and gas leases in the state of Nevada from the Bureau of Land Management (BLM) in the leasing round held at Reno in September 2011. The cost of the nine leases was US\$141,563.

The leases are located in two distinct areas, the northern end of the Railroad valley (9808 acres) and the central portion of the Lake valley area (7660 acres) approximately 450 kilometres north of Las Vegas.

The areas of interest are located in the Cretaceous Sevier thrust belt. This belt holds some of North America's most productive oil and gas fields. Over-thrust structures such as these are estimated to hold a quarter of the world's oil.

Source Rock

The source rock is Mississippian lacustrine oil shales (locally known as Chainman Shale) with organic content averaging between 3% and 6%. Lacustrine shales are among the world's richest sources of oil.

Measurements, from outcrop and from drilling, have established these shales thicknesses exceed fifteen hundred metres in some locations and have an average organic content range. This organic content may be conservative as lab testing of these shales in outcrop has found the organic content to be as high as 89%. In comparison the prolific Wyoming thrust belt source rocks average only 1% organic material and are around 70 metres thick.

Reservoir

The karsted Devonian dolomite is a high quality reservoir. The reservoir formation lies right above the Mississippian and ranges from 200 to 400 feet thick. The formation's exceptional oil holding capacity is more than proven worldwide. The Grant Canyon field approximately 30 kilometres south of the Railroad Valley North lease, produced 21 million barrels of oil, from 60 acres, is a good example of its reservoir quality.

Seal

The seal in the nearby oil fields which caps the Devonian reservoir is a higher layer of already oil-saturated Mississippian shales. This combination: oil shales capping a reservoir which contains oil generated from lower shales, is actually a classic structure, often see in the Rocky Mountain Foothills and the giant Permian basin.



Lease terms

Leases issue for a primary term of 10 years. They continue beyond the primary term as long as oil or gas is produced in paying quantities on or for the benefit of the lease. Once a lease is producing, we are charged a royalty of 12.5 percent on the production removed or sold from the lease.

This will see the Company's wholly owned subsidiary Sunset Energy LLC, move into one of the US's newest and exciting hydrocarbon shale plays.

Seismic Survey

The Warradarge Seismic Survey being undertaken in the Company's DR11 permit has now been completed.

The approximate 25 kilometres of data recorded has been forwarded to Excel Geophysical of Denver, Colorado for processing.

The data will be used to map the Cattamarra Coal Measures and possibly the deeper Carynginia Formation. The Carynginia Formation is the target of the drilling to the north west by a consortium EP 413 which is seeking to determine the prospectivity for shale gas of that formation.

Once the seismic survey results have been analysed the resultant report will define the location of the two wells planned by the Company for 2012.

Kentucky Interests

Sunset has now farmed out its Kentucky leases to a US based company for an ongoing royalty of 10% of Gross production from its Burkesville leases allowing it to focus on its new areas.

EP445 Permit

As part of a re-assessment of the Company's exploration interests, the Company has relinquished its joint venture interest in the Margaret River permit EP445 with Red Mountain Energy Pty Ltd.

Stephen Thomas
Managing Director