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WHL ENERGY JUNE 2014 QUARTERLY ACTIVITIES REPORT

Highlights:

- **Seychelles farm-out agreement completed**
- **Seychelles seismic survey underway**
- **La Bella seismic interpretation proceeding**
- **Interpretation highlights quality portfolio**
- **New Director appointed**
- **Finances strengthened**

Australian energy company WHL Energy Limited (**ASX: WHN**) ("**WHL Energy**" or "**the Company**") is pleased to report on its activities and operations for the quarter ended 30 June, 2014.

Seychelles (WHN: 25% Non-Operator)

The June Quarter was a highly successful period, capped-off with WHL Energy achieving some significant milestones with its "flagship" offshore Seychelles oil and gas exploration project.

Seychelles signs farm-out agreement

On 16 April 2014 three years of high quality geological effort on the Company's Seychelles acreage paid off when the Republic of the Seychelles officially signed the formal documentation approving Ophir Energy plc's ("**Ophir**") farm-in to the Seychelles project.

The Company was pleased that as an indication of the importance of the occasion, leading Seychelles dignitaries, including Seychelles Vice-President Danny Faure and Ambassador Barry Faure, along with representatives of the national petroleum regulator PetroSeychelles participated in the official signing ceremony. The ceremony was also broadcast on local TV and featured in major local news headlines.

The official signing provided an immediate financial benefit for WHL Energy, triggering the payment of an initial US\$4 million, before advisor and minority interest costs of US\$1,150 million, for the partial recovery of past costs.

This partial recovery of past costs was just one of the terms of the highly favourable agreement with Ophir Energy plc ("**Ophir**"), first announced on 4 March, 2014. Ophir being a highly successful East African oil and gas explorer have agreed to farm-in and earn a 75% interest in WHL Energy's offshore Seychelles petroleum exploration project area.



WHL Energy MD, David Rowbottam (far left), signs documentation officially approving the Seychelles farmout to Ophir Energy.

As part of the carried work programme resulting from the joint venture agreement, Ophir has committed to fund the initial 1,500km² 3D seismic acquisition programme currently underway up to a total amount of US\$17 million.

Other key terms of the farmout following the initial 3D seismic survey and Ophir agreeing to retain its interests in the project area and proceed to drill the first well include:

- Ophir paying WHL Energy a further US\$2 million in cash for further recovery of past costs;
- Ophir fully funding the acquisition of a further 1,000km² of 3D seismic, up to a total amount of US\$12 million; and
- Ophir funding 90% of the costs of the first exploration well, up to a total amount of US\$30 million.

The Seychelles Government sign-off on the farm-out also included the requirement for an update to the original Petroleum Agreement (“PA”) between WHL Energy and the Seychelles Republic.

Most notably the amended PA included variations to the minimum work commitments, extending the term of the current exploration period to 31 July 2016, a reduction in the size of the Seychelles permitted area controlled by the JV to 12,856 km² and the transfer of operatorship over the project areas to a subsidiary company of Ophir.

Seychelles seismic underway

The Seychelles JV took a further major step forward when Ophir and WHL Energy announced in late June, that international seismic contractor Dolphin Geophysical had been awarded the contract to undertake the 1500 km² Junon 3D seismic survey. The survey will cover the Junon trend in the Seychelles project area and its state-of-the-art 3D seismic acquisition vessel, M/V Polar Duchess, was on its way to begin acquiring the data on 28 June.

An initial fast track processed data set is expected to be delivered in September and a more detailed Pre-Stack Time Migration (PreSTM) processed volume in December.

The area to be covered by the Junon 3D seismic survey was high graded by WHL Energy’s geological studies, with the survey designed to mature a number of prospects for drilling on the Junon trend in the east of the Ophir WHL Seychelles JV acreage (Junon South, Junon East and Junon Central).

The survey, which is expected to take 30 – 40 days to complete, is currently progressing on schedule.

AUSTRALIA

Victoria - VIC/P67 (La Bella) Permit (WHN: 40% Operator)

Le Bella seismic update

Good news continued during the quarter when the Company was able to report positive results from the interpretation of an interim processed subset volume of the La Bella 3D Seismic Survey acquired in the VIC/P67 exploration permit in the offshore Otway Basin, Victoria.

A significant upgrade on the initial “fast track”, Post-Stack Migration processed volume was announced in April, this second set of data has further boosted confidence in the commercial potential contained within the VIC/P67 permit, including reducing the geological risk of a number of features in the portfolio.

The new information also helped define a current portfolio of 11 prospects in VIC/P67 containing total best estimate Prospective Resources* of 610 bcf of gas and 14.1 MMbbls of condensate and LPGs.

Low geological risk ratings have been assigned to a group of 4 prospects known as Mylius, Mylius West, Ferrier and Ferrier South, that are located immediately west of the La Bella gas and condensate field. Best estimate Prospective Resources* for these features total some 183 Bcf sales gas and 5.8 MMbbls of condensate and LPG.

WHL Energy believes these features, along with the La Bella field, could form a core gas development in VIC/P67 with further confirmation by successful exploration drilling.

The new interim volume data also confirmed a number of key high upside prospects in the portfolio:

- Preliminary mapping on the Highlander structure has confirmed the presence of a large, high relief structure;
- An upside scenario for the uppermost Waarre Formation reservoir on the Ferrier structure, where the amplitude response of this reservoir is also being evaluated which could add further significant volumes to the near La Bella area, and
- Initial mapping of Alexandra prospect (formerly North-West La Bella) also indicates that this is also a potentially significant feature.

The Lowlander feature is now well defined and is a robust structure with Prospective Resources* of 56 Bcf gas and 1.4 MMbbl of condensate and LPG. Additionally, the Rayville prospect on the North-West of the full 3D area has been mapped in the fast track volume and is a potentially interesting feature. The other previously identified structures (North La Bella and Mussel Updip) and a new structure, East La Bella, have also been mapped on the interim volume.

**Best Estimate Prospective Resources – VIC/P67*

1. *Prospective Resources; The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) related to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*
2. *The reported best estimate Prospective Resources are 100% gross deterministic best estimates. WHL Energy's net equity interest in these estimates is 40%.*
3. *These Prospective Resource estimates were initially reported to the ASX on 29 May and 3 June 2014.*

Complete processing of the full area of the La Bella 3D seismic survey is expected to be completed by the end of July. Following receipt of this survey a fully detailed interpretation and evaluation of the prospects and leads inventory will be undertaken and the best candidates selected for the focus of drilling studies.

The information provided to date from the La Bella 3D seismic programme has provided the VIC/P67 JV with enough confidence to move forward to contract Aztech Drilling to undertake the next phase of the well planning, which includes seeking relevant regulatory approvals, rig procurement and well design.

Development concept studies have also commenced based on the initial interpretation of the interim 3D volume. Along with the estimation of well planning costs, effective development solutions are being evaluated.

Western Australia – WA-460-P Permit (WHN: 33.3% Non-Operator)

The Company holds 33.33% equity in exploration permit WA-460-P, in the offshore Southern Carnarvon Basin, which contains an extension of the very large Palta Prospect. A Shell led Joint Venture drilled the Palta-1 well in the adjacent block in late 2013, which was subsequently relinquished in February 2014. WHL Energy will assess the Palta-1 well data and review the forward strategy for WA-460-P.

CORPORATE

New Director Appointed

WHL Energy Limited was pleased to announce the appointment of senior oil and gas executive Jeffrey Schrull as a Non-Executive Director to the WHL Energy Board during the quarter. Mr Schrull adds to the depth of the technical expertise at Board level as the Company seeks to assess new growth opportunities.

Mr Schrull has over 25 years of senior experience in the upstream E&P business, with a particularly strong and successful working history in Africa. He began his career with Chevron where he worked for 19 years, initially on development and exploration projects in the US, followed by international projects in the UK, Australia (Gorgon Project), Norway, Brazil and Africa.

Financing

WHL Energy had a busy and highly successful period of corporate activity during the quarter, which the Company believes places it in a strong financial position.

Apart from the US\$4 million, before advisor and minority interest costs of US\$1,150 million that WHL Energy received from Ophir as an initial payment following the successful signing of our Seychelles farmout, the Company was also able to complete an early pay-out of a trade finance agreement entered into with Bergen Global Opportunity Fund V, LLC.

Under the Agreement, announced to the ASX on 5 December 2013, the Fund had provided a one-off loan of US\$2.7 million to the company. Those funds had been used to convert into cash the Tap Oil Seismic Option and provided WHL Energy's portion of the funding for the La Bella 3D seismic acquisition programme, which was successfully completed on 17 December 2013.

Bergen funded the US\$2.7 million facility to WHL Energy as a lump-sum on 6 December 2013, which was repayable as a 12% p.a. principal and interest loan in cash, with certain share conversion rights, during the 15 months ending 31 March 2015, with a provision permitting the loan to be repaid early.

WHL Energy gained additional important financial flexibility in late May when it concluded a new financing agreement to raise A\$3.2 million coordinated by leading investment house Argonaut Equity Partners.

The capital raised will be utilised to fund WHL Energy's ongoing activities including the current interpretation of 3D seismic data acquired over the VIC/P67 permit and the review of potential corporate transactions.

WHL Energy expects to repay the facility from proceeds to be received from Tap Oil under the firm commitment in the Seismic Option and Farmout Agreement, due 31 March 2015. WHL Energy also has the option to repay the facility prior to that date if it so elects.

Company Cash Position

The Company had A\$3,833 million cash in hand at the end of the quarter, including restricted funds of A\$0,818 million.

Ends.

FURTHER INFORMATION

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All Petroleum Reserves, Contingent Resources and Prospective Resources information relating to the oil and gas projects in this report are based on, and fairly represent, information and supporting documents prepared by, or under the supervision of, WHL Energy's Limited full time Exploration Manager Mr Matt Fittall. He is a Geologist [BSc(hons)Geology] with more than 30 years' experience, practicing in Petroleum Geology. Mr Fittall is a member of the Petroleum Exploration Society of Australia (PESA). Mr Fittall has consented in writing to the inclusion of the information in the form and context in which it appears.

About WHL Energy Limited

ASX-listed WHL Energy Ltd (ASX: WHN) is an oil and gas exploration Company focussed on East Africa and Australia.

WHL Energy holds a 12,856 km² exploration area offshore Seychelles, at 25% equity. A world class exploration portfolio and new exploration concepts are being matured in the acreage. WHL Energy has mapped a prospect and lead inventory containing at least 18 features. The company farmed in proven East Africa explorer, Ophir Energy plc as operator.

The high graded Junon leads will be matured for drilling with a 1500 km² 3D seismic survey in 2014. Additional new play concepts are being developed. Most structures identified to date are in < 50 m water with drilling targets at < 2000m depth, allowing for low cost drilling with a jack up rig.

WHL Energy also holds 40% equity in Exploration Permit VIC/P67 in the offshore Otway Basin, approximately 200 km WSW of Melbourne off the Victorian coastline. VIC/P67 contains the undeveloped La Bella gas field in proximity to the Victorian gas market, and several nearby exploration prospects. The La Bella 3D seismic survey was acquired in late 2013 to appraise the La Bella field and also firm up the exploration prospects. Initial results of the 3D seismic survey are encouraging and have identified structurally conformable amplitude anomalies associated with several of the key prospects.

The Company also holds 33.33% equity in exploration permit WA-460-P, in the offshore Southern Carnarvon Basin, which contains an extension of the very large Palta Prospect. A Shell led Joint Venture has recently drilled the Palta-1 well in the adjacent block which was subsequently relinquished in February 2014. WHL will review the Palta-1 well data and the forward strategy for WA-460-P.

The Company is also actively investigating growth opportunities in the wider East African region.