



2 September 2011

**WHL Energy Ltd**

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Dear Option Holder

**UNLISTED OPTIONS EXPIRING 31 DECEMBER 2013, EXERCISABLE AT \$0.0001  
("WHNAO" or "Class B Options")**

WHL Energy Limited ("WHN" or "the Company") and its share registry, Advanced Share Registry have received a number of queries regarding the above option series. The original "Class B Options" were subsequently allocated the code WHNAO as unlisted options by the ASX. The share registry in their haste to issue holding certificates for the WHNAO series printed the holding statement before the final ASX code was allocated and used and internal code of WHN67318. You are listed as a registered holder of these 31 December 2013 unlisted options in the Company and should be aware from previous communications that the vesting conditions referred to at paragraph (e) of the terms and conditions for the unlisted options state that:

"The Class B Options will not vest and become exercisable unless:

- (i) the Company (or one of its subsidiaries) has entered into one or more binding farmin agreements with one or more third parties under which the farminee/s' have a collective obligation to spend the greater of \$10,000,000 or 50% of the Work Commitment on the Licences; or
- (ii) the volume weighted average price of the Company's shares as traded on ASX is at least 10 cents or more for ten (10) consecutive trading days,

in either case prior to the Expiry Date for the avoidance of doubt, if one of the above events does not occur prior to the Expiry Date, the Class B Options will immediately lapse."

Accompanying this letter is a full set of the terms and conditions for your information.

By way of an update, the Company confirms that:

- On 1 March 2011, the Company announced that it had completed the acquisition of it acreage offshore Seychelles;
- The SY10 Multi-Client 2D Seismic Survey ("MC2D") in the greater Seychelles area was completed in April;
- The SY10 MC2D data provides a step change improvement in data quality over previous seismic surveys in the Seychelles and at this early stage, appears to confirm the large structures previously identified. Geological synthesis studies, geophysical studies and economic evaluation studies are ongoing; and
- Preparations for a concerted industry wide farmout campaign have commenced.

At such time as either of the vesting conditions is achieved, option holders of the above options will be notified.

Should you have any queries, please contact the undersigned.

Yours faithfully

**Matthew Edmondson**  
Company Secretary

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## WHL ENERGY LIMITED (THE COMPANY)-TERMS OF CLASS B OPTIONS (WHNAO)

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The Class B Options have the following rights attached to them:

- (a) In these terms, the following definitions apply:
  - (i) ASX means ASX Limited.
  - (ii) ASX Listing Rules means the listing rules of ASX.
  - (iii) Company means WHL Energy Limited.
  - (iv) Licences means the 35 exploration blocks located on the southern continental shelf off-shore Seychelles held by PetroQuest International Inc.
  - (v) Work Commitment means the obligation of SEYCO Energy Pty Ltd (ABN 87 145 434 457) (under the sale agreement entered into with the shareholders in PetroQuest International Inc) to fund the drilling of the first two wells in the Phase Two work program.
  - (vi) Shares has the meaning as defined in clause (b) below.
  - (vii) Expiry Date has the meaning as defined in clause (d) below.
- (b) The Class B Options are options to subscribe for ordinary shares in the capital of WHL Energy Ltd (Shares).
- (c) The exercise price of the Class B Options is \$0.0001 per Class B Option.
- (d) The Class B Options will lapse on 31 December 2013 (Expiry Date).
- (e) The Class B Options will not vest and become exercisable unless:
  - (i) the Company (or one of its subsidiaries) has entered into one or more binding farm agreements with one or more third parties under which the farminee/s' have a collective obligation to spend the greater of \$10,000,000 or 50% of the Work Commitment on the Licences; or
  - (ii) the volume weighted average price of the Company's shares as traded on ASX is at least 10 cents or more for ten (10) consecutive trading days,in either case prior to the Expiry Date. For the avoidance of doubt, if one of the above events does not occur prior to the Expiry Date, the Class B Options will immediately lapse.
- (f) The Class B Options will be transferable in whole or in part subject to the provisions of the constitution of the Company, Corporations Act and the ASX Listing Rules.
- (g) The Class B Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the exercise price per Class B Option to the Company at any time on or after the date on which the Class B Options are issued and on or before the Expiry Date. Class B Options not exercised before the Expiry Date will lapse.
- (h) Upon the valid exercise of the Class B Options and payment of the exercise price, the Company will issue Shares ranking pari passu with the then issued Shares of the Company.
- (i) The Company shall apply for listing on the ASX of the resultant Shares issued upon exercise of any of the Class B Options.
- (j) Reconstruction of Capital: If during the currency of the Class B Options the issued capital of the Company is reconstructed (including capital reductions and share consolidations and divisions), the number or nominal value of the Class B Options to which the holder is entitled will be reconstructed in the same proportion as the issued capital of the Company is reconstructed in accordance with the ASX Listing Rules but in all respects the term of the exercise of the Class B Options shall remain unchanged. Where appropriate the exercise price of the Class B Options will be revised in accordance with the ASX Listing Rules.
- (k) Bonus Issue: If there is a bonus issue to the holders of the ordinary Shares of the Company, the number of ordinary Shares over which the Class B Option is exercisable will be increased by the number of ordinary Shares which the holder of the Class B Option would have received if the Class B Option had been exercised before the record date for the bonus issue.
- (l) Rights Issue: If the Company makes a rights issue (other than a bonus issue), the exercise price of Class B Options on issue will be reduced accordingly as set out in the ASX Listing Rules.
- (m) Participating Rights and Entitlements: The Class B Options carry no right (without exercising the Class B Options) to participate in rights issues which may be offered by the Company to its Shareholders after the date of the issue of the Class B Options or in dividends. However, the Company must give prior notice to the Class B optionholders of any new issue before the record date for determining entitlements to the issue in accordance with ASX Listing Rules and Class B optionholders have the right to exercise the Class B Options prior to the record date for determining entitlements.
- (n) Amendments: Despite anything else contained in these terms to the contrary, the terms and conditions may be changed by the Company to the extent it reasonably considers to be necessary to comply with the ASX Listing Rules, particularly as they may apply to a reconstruction or reorganisation of the capital of the Company at the time of reorganisation or reconstruction.
- (o) Change of Control and Selling Licences: Notwithstanding any other terms and conditions, all Class B Options shall vest and may be exercised:
  - (i) during a bid period (as defined in the Corporations Act) following a bidder acquiring a relevant interest of greater than 50% of the Company's shares and the bid having been declared unconditional;
  - (ii) at any time after a Change in Control Event (being a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or them the ability and that ability is successfully exercised, in a general meeting, to replace all or a member of the board) has occurred; or
  - (iii) on an application under Section 411 of the Corporations Act if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other Company; or
  - (iv) if the Company (or one of its subsidiaries) sells or transfers the Licences to any party(excluding any transfer or sale that occurs under a farm in arrangement in respect of the Licences).