



WHL Energy Ltd

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FINANCING AND MANAGEMENT UPDATE

Australian energy company WHL Energy Limited (ASX: WHN) ("WHL Energy" or "the Company") wishes to announce that the Company has entered into agreements with Energy Capital Partners Pty Ltd ("ECP") to facilitate a recapitalisation of the Company.

Background

WHL Energy has moved to implement a definitive action plan for immediate funding and cost savings in order to stabilise the Company's financial position.

The Company's directors have worked tirelessly over the past months to source funding solutions in the best interests of shareholders in a difficult financial market. The Company has considered alternatives and believes that the ECP recapitalisation proposal is the only proposal currently executable within the timeframe required by the company's third party debt providers.

In order for the Company to meet its immediate funding requirements to lenders and creditors it has accepted an offer that, while heavily dilutive to shareholders, allows the Company to recapitalise and restructure its forward financial and asset position and continue to implement a significant cost reduction strategy.

Recapitalisation Offer

The recapitalisation proposal comprises the issue of convertible notes ("Convertible Notes") secured over the Company's assets to the value of A\$2 million, converting into ordinary fully paid shares in the Company at \$0.001 (subject to shareholder approval). Subject to the satisfaction of certain conditions precedent, ECP will subscribe for, or procure the subscription for, the Convertible Notes in two tranches of A\$1 million on 4 and 19 June 2015. If shareholder approval is obtained for the conversion of the Convertible Notes, approximately 2,000,000,000 new ordinary shares in the Company will be issued.

In consideration for ECP procuring the subscription for Convertible Notes, the Company has agreed to issue ECP shares and options in the Company and pay fees on the terms set out in the schedule to this announcement. The Company will convene a shareholder meeting in due course to seek approval for the issue of the shares upon conversion of the Convertible Notes along with the issue of the ECP Options. If shareholder approval is obtained, the Convertible Notes will convert into shares in the Company.

Proceeds from the recapitalisation will be used:

- to repay the Company's existing third party debt facilities, which includes fees payable to the lenders;
- to pay any fees owing to ECP in connection with the issue of the Convertible Notes; and

- otherwise in accordance with a budget agreed between the Company and ECP from time to time.

A summary of the recapitalisation proposal, including the key terms of the Convertible Notes is set out in the Schedule to this announcement.

WHL Energy also wishes to announce a management restructure which includes:

- Non-Executive Director, Mr Stuart Brown, taking up the role of Chairman.
- Current Chairman, Mr Faldi Ismail, remaining on the board as a Non-Executive Director.
- Managing Director, Mr David Rowbottam, agreeing to depart the company with effect from 31 May 2015.
- Mr Graham Durtanovich being appointed to the board as a Non-Executive Director.

Mr Durtanovich holds a Bachelor of Economics and Graduate Diploma of Applied Finance. He has significant experience as a Chief Financial Officer with a focus on financial management, risk analysis, system implementation, strategic planning and Corporate Governance over a ten-year period.

Out-going Chairman, Mr Faldi Ismail, said the WHL Energy board wished to thank Mr Rowbottam for his contribution since joining the Company in September 2010 and is pleased to have Mr Durtanovich join the board.

Commenting on the capital restructuring and cost cutting programme, newly appointed Chairman Stuart Brown said: "The oil & gas industry continues to face significant challenges during the current commodity price downturn, particularly for junior explorers. The cost of servicing ongoing debt facilities is no longer a sustainable option and this recapitalisation, along with continuing cost reduction initiatives, provides the opportunity to conserve valuable cash and realise value from existing assets while seeking new growth and revenue generating opportunities."

"In addition to the proceeds from the convertible notes, it is also planned that all existing shareholders will be offered an opportunity to participate via a rights entitlement issue, following the upcoming shareholder meeting."

"The board believes in the underlying value of the Company's assets and that this recapitalisation represents the Company's best option to deliver value to shareholders in the medium to longer term."

Further details of the recapitalisation, cost reduction programme and shareholder meeting will be reported to the ASX as they become available.

Ends

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 of the Block.

The high graded Junon leads will be matured for drilling with a 1,500 km² 3D seismic survey completed in July 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 100% 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 is also actively investigating growth opportunities in the wider African region.

About Energy Capital Partners Pty Ltd

Energy Capital Partners specialises in the oil and gas sector, providing a complete range of advisory services, investment opportunities and capital solutions for private and public companies and sophisticated investors.

Schedule – Summary of key terms of Convertible Notes

Term	Summary
<i>Facility</i>	Energy Capital Partners Pty Ltd (ECP) will subscribe for, or procure subscriptions for, convertible notes (Convertible Notes) on the terms summarised in this table and subject to certain conditions (see conditions precedent below).
<i>Convertible Notes</i>	Subject to the satisfaction of the conditions precedent set out below, ECP must subscribe for, or procure subscriptions for: • A\$1.0 million of Convertible Notes on or before 5.00pm (Perth time) on 4 June 2015 (Tranche 1); and • A\$1.0 million of Convertible Notes on or before 5.00pm (Perth time) on 19 June 2015 (Tranche 2).
<i>Use of funds</i>	The Company must ensure that the proceeds of the issue of Convertible Notes are used: • to repay the loan agreement entered into on or about 7 April 2015 ; • to repay the loan agreement entered into between the Company and Magna Equities II, LLC on or about 8 May 2015 (Magna Loan); • to pay any fees owing to ECP in connection with the issue of the Convertible Notes (see below); and • otherwise in accordance with a budget agreed between the Company and ECP from time to time.
<i>Conditions precedent</i>	Noteholders are not obliged to subscribe for Convertible Notes, and the Company must not issue Convertible Notes unless ECP is satisfied that: • no material adverse change has occurred to the Company, its subsidiaries and affiliated corporate entities; • the security granted by the Company in respect of the amounts owing under the Convertible Notes has been perfected, is enforceable and valid; • the Company has entered into arrangements to terminate the Company's existing third party debt facilities on terms reasonably satisfactory to ECP; • some executive staff of the Company have resigned on terms reasonably acceptable to ECP; and • the warranties given by the Company under the recapitalisation deed entered into between the Company and ECP remain true and correct up to the satisfaction of the other conditions.
<i>Fees</i>	In consideration for ECP procuring the subscription for Convertible Notes, the Company has agreed to: • offer to ECP (or its nominees) 20,000,000 Shares at a deemed issue price of \$0.00001 to raise \$200, to be issued with the issue of Convertible Notes under Tranche 2; • 350,000,000 options to acquire shares in the Company, with an exercise price of \$0.004 each, expiring 3 years after the date of issue, to be issued to ECP or parties nominated by the ECP at an issue price of \$0.000001 each to raise up to \$350 (ECP Options), to be issued subject to shareholder approval;

- pay to ECP (or its nominees) a fee of 15% of the amount raised through the issue of Convertible Notes, to be paid at the same time as the issue of each tranche of Convertible Notes; and
- pay to third party AFSL holders introduced by ECP a fee of 6% of the amount raised through the issue of Convertible Notes, to be paid at the same time as the issue of each tranche of Convertible Notes.

<i>Maturity date</i>	The Convertible Notes mature on the first to occur of: • the date on which the notes convert (see below); • 31 July 2015; and • any earlier date on which the Company repays the Convertible Notes (including on redemption, as described below).
<i>Interest</i>	Interest on each Convertible Note is payable at a rate of 10% per annum, accruing on a daily basis and compounding monthly, payable in full by cash on the Maturity Date.
<i>Redemption</i>	Other than as provided upon conversion (see above), a Convertible Note may be redeemed: • upon an event of default or on liquidation; • if a noteholder exercises their rights to require redemption in a change of control event (see below).
<i>Conversion</i>	If shareholder approval is obtained (see below), each noteholder will be deemed to have delivered a conversion notice to convert all of their Convertible Notes and the Company will proceed to issue and allot the noteholder the number of shares equal to the face value of each note (each note being \$25,000) divided by \$0.001 per share in the Company (subject to any adjustment for reconstructions).
<i>Security</i>	The repayment of amounts owing to noteholders and ECP will be secured by a general security deed, which grants security over all the Company's present and after acquired property.
<i>Nominee Director</i>	ECP has the right to nominate and appoint one director to the board of the Company until 6 months after the date the last of the Convertible Notes has either been converted into shares in the Company or repaid in full.
<i>Change of control</i>	If: • a takeover bid (as defined in the Act) is made for 50% or more of the shares of the Company and that bidder is successful in acquiring a relevant interest in 50% or more of the shares of the Company; • there is a change in control of 50% or more of the shares of the Company; or • there is a sale of the main undertaking of the Company that would require approval of the ordinary shareholders of the Company in accordance with ASX Listing Rule 11.2, the noteholders must elect to either redeem or convert their Convertible Notes.
<i>Undertakings and warranties</i>	The Company has undertaken, amongst other things, not to: • conduct its business other than in a proper and efficient manner; • incur debt other than in the ordinary course, which is not to exceed \$5,000; • dispose of or encumber its property other than in specified permitted circumstances; • declare or pay dividends, or undertake any capital distribution; or

- increase the remuneration of any directors, officers or employees.

In addition, the Company has provided customary warranties in respect of matters such as its capital structure, encumbrances, accuracy and completeness of information provided, financial accounts and that there has been no default or material adverse change.

Default

It will be an event of default in respect of the Convertible Notes, amongst other things, where:

- the shareholder meeting is not held on or prior to 31 July 2015, or not all requisite approvals are obtained;
 - the Company fails to make payment of any outstanding money in respect of the Convertible Notes within 5 business days of the relevant date for payment (and has failed to remedy the breach within a further 5 business days);
 - there is an event of default or unremedied breach of a representation, covenant, condition or obligation imposed by specified documents;
 - the Company makes a material change to Constitution without ECP's consent; or
 - the Company makes a resolution to wind up, enters liquidation or makes a material change to its constitution without the consent of ECP.
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Approvals

The Company will convene a shareholder meeting to seek approval for the issue of the ECP Options to ECP (or its nominees) and the issue of shares upon conversion of the Convertible Notes.

If the shareholder approval is not obtained on or prior to 31 July 2015 in circumstances where the Company has secured equity or debt funding of in excess of \$100,000 from a third party, then the Company will pay ECP the sum of \$400,000 (plus GST).