

For personal use only

WHL Energy Limited

ABN 25 113 326 524

Interim Financial Report

31 December 2011

Contents	Page
Corporate Directory	2
Directors' Report	3
Auditor's Independence Declaration	7
Condensed Statement of Comprehensive Income	8
Condensed Statement of Financial Position	9
Condensed Statement of Changes in Equity	10
Condensed Statement of Cash Flows	11
Notes to the Condensed Financial Statements	12
Directors' Declaration	20
Independent Auditor's Review Report	21

For personal use only

Corporate Directory

ABN: 25 113 326 524

Directors:

Mr John Chandler – Chairman
Mr Steven Noske – Managing Director
Mr David Rowbottam – Finance Director
Mr Trevor Benson – Non-Executive Director

Company Secretary:

Mr Matthew Edmondson

Registered Office:

Level 2, 22 Delhi Street, West Perth WA 6005
PO Box 1042, West Perth WA 6872

Principal Place of Business

Level 2, 22 Delhi Street, West Perth WA 6005
PO Box 1042, West Perth WA 6872
Phone: +61 8 6500 0271
Fax: +61 8 9321 5212
Email: contact@whlenergy.com
Web: www.whlenergy.com

Share Registry:

Link Market Services Limited
178 St Georges Terrace, Perth, WA 6000
Phone: 1300 554 474

Solicitors:

Steinepreis Paganin
Level 4, 16 Milligan Street, Perth WA 6000
Phone: +61 8 9321 4000 Fax: +61 8 9321 4333

Corrs Chambers Westgarth
Ground Floor, 8 Victoria Avenue, Perth WA 6000
Phone: +61 8 9321 8777 Fax: +61 8 9321 8555

Bankers:

Westpac
Level 6, 109 St Georges Terrace, Perth WA 6000

Auditors:

HLB Mann Judd
Level 4, 130 Stirling Street, Perth WA 6000

Securities Exchange Listing:

WHL Energy Ltd shares are listed on the Australian Securities Exchange (ASX: WHN)

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity of WHL Energy Limited ("the Company") and its controlled entities (collectively "the Group") for the half-year ended 31 December 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of directors who held office during or since the end of the interim period and until the date of this report are noted below. Directors were in office for the entire period unless otherwise stated.

Mr John Chandler*	Chairman	(Appointed, 30 September 2011)
	Non-Executive Director	(Appointed, 17 August 2011)
Mr Peter Bartter**	Chairman	(Resigned, 30 September 2011)
	Non-Executive Director	(Resigned, 22 November 2011)
Mr Steven Noske	Managing Director	
Mr David Rowbottam	Finance Director	
Mr Trevor Benson	Non-Executive Director	(Appointed, 5 December 2011)

*Mr Chandler was appointed as a Non-Executive Director on 17 August 2011 and was subsequently appointed as Chairman on 30 September 2011.

**Mr Peter Bartter stepped down as Chairman on 30 September 2011 and retired as a Non-Executive Director on 22 November 2011.

CORPORATE

Appointment of New Chairman

On 17 August 2011 the Company appointed John Chandler as a Non-Executive Director of the Company and on 30 September 2011, the Company announced the appointment of Mr Chandler to the position of Chairman of the Company. The former Chairman, Peter Bartter, announced that he was stepping down to pursue other interests and remained as a Non-executive Director until the Annual General Meeting in November 2011.

Mr Chandler brings key oil and gas management and corporate experience to the Chairman's position at a time when the Company is making strong progress with its "Flagship" offshore Seychelles exploration project and expanding both its Australian and international oil and gas portfolio.

He has over 30 years of commercial experience with a focus on project finance and mining and energy, including holding the position of Non-Executive Director of ASX listed oil and gas company Sino Gas & Energy Holdings Limited, as well as being a Non-Executive Director of an unlisted engineering company. In addition, he is the Co-Director of the Centre for Mining, Energy and Natural Resources Law in the Law School at the University of Western Australia. He has also held board positions in a number of other companies.

Following the conclusion of the Annual General Meeting held on 22 November 2011, former Chairman and Non-Executive Director Peter Bartter retired from his position on the Board of Directors. Mr Bartter remains one of the Company's largest shareholders and looks forward to remaining a major shareholder as the Company continues to grow shareholder value both in the Seychelles and elsewhere.

Appointment of New Non-Executive Director

Mr Trevor Benson was appointed to the role of Non-Executive Director on 5 December 2011. Mr Benson brings to the Board a strong background in corporate advisory and investment banking.

He is a Director of Perth-based corporate advisory firm PCF Capital Group Pty Ltd and has over 25 years' experience in investment banking, stockbroking and treasury operations. He has previously held the positions of Director, Corporate Advisory at Argonaut Limited and Head of Corporate Finance and Operations at Tolhurst InterFinancial. His cross-border experience includes advising companies on M&A, restructuring and listing on the AIM in London, and he is currently involved with companies moving to the TSX in Canada.

REVIEW OF OPERATIONS

Financial Performance

The Company recorded a loss for the half-year ended 31 December 2011 of \$2,552,374 compared to a loss of \$4,479,826 for the corresponding period in the prior year.

As at 31 December 2011, the Company had \$3.672m cash on hand and no short or long term borrowings.

DIRECTORS' REPORT (continued)

COMMERCIAL ACTIVITIES

Completion of Fund Raising - Balance of T2 Receipts

In July 2011 the final receipts from the capital raising from sophisticated investors and institutions were received. The last tranche of 14,487,500 shares from the 3.2 cents per share placement approved at a general meeting held in May 2011 were listed on 15 July.

Buyback of Austin Exploration Limited Option

During July 2011 WHL Energy completed the buyback of the Austin Exploration Limited ("Austin") 4% farm-in option over the Seychelles properties. The Company actively pursued the buyback for a number of strategic reasons, including the strengthening of the Company's Seychelles farm-out position.

Office Relocation

During August 2011, WHL Energy announced it had relocated its corporate and registered office to West Perth to accommodate additional technical staff focused on the farm-out campaign involving the Seychelles acreage. The Company also changed its postal address at that time.

Change of Share Register

In December 2011 the Company announced it had engaged the services of Link Market Services Limited ("Link") as the holder of the Company's Share Register. Link is able to accommodate dual listings and whilst the Company has made no decision in this regard, it elected to ensure its share register was able to accommodate a dual listing capability.

OIL & GAS ACTIVITIES

Seychelles Exploration

WHL Energy's activities in the second half of 2011 was dominated by its continued development of the prospects and leads inventory in its large exploration holdings located off the coast of the Republic of Seychelles.

The Company holds 100% equity in 21,426 square kilometres of highly prospective oil and gas exploration interests in the shallow water area off the southern Seychelles coast.

A key component of the initial Company assessment of the potential of its exciting Seychelles interests was its participation in the SY10 Multi-Client 2D Seismic Survey ("MC2D") in the greater Seychelles area. That program was completed in April 2011 and WHL Energy licensed acquisition totalling 7,966 km of the SY10 MC2D survey on its blocks.

A preliminary processed dataset, which consists of a post stack time migration, was delivered to WHL Energy in June 2011 and a pre-stack time migration ("PSTM") product - a much more sophisticated processing algorithm - was delivered to WHL Energy in August 2011.

WHL Energy's interpretation of the SY1- MC2D dataset has led to the mapping of substantial prospects and leads inventory in WHL Energy's acreage. At year end a total of 30 leads had been mapped with a total mean prospective resource of 5.8 billion barrels. The generation of the Prospects and Leads Inventory was supported by regional geological synthesis studies. The regional geological studies have enhanced WHL Energy's confidence in the presence of the key geological elements and an active petroleum system for the acreage to be prospective for oil and gas.

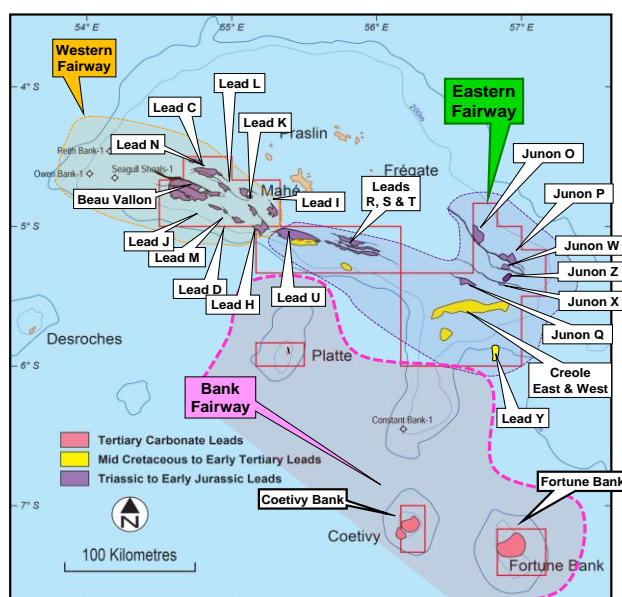


Figure 1: Prospects and Leads Map, Seychelles

DIRECTORS' REPORT (continued)

Leading international petroleum consultant, Netherland Sewell and Associates, Inc. ("NSAI") of Dallas Texas, was commissioned during the September quarter to provide an independent assessment of gross unrisks prospective resources for certain leads in the Company's Seychelles exploration areas, in order to provide external verification of the potential of the Company's exploration opportunities.

The NSAI report supported WHL Energy's internal assessment of the Company's Seychelles exploration portfolio as an early stage, but nevertheless world class exploration opportunity. The NSAI report estimated a total unrisks Mean Prospective Resource of 3.45 billion barrels for the 21 most highly ranked leads of WHL Energy's portfolio, which compares with WHL Energy's unrisks estimate of 4.03 billion barrels for the same leads.

A concerted industry wide farm-out campaign was undertaken during the second half of 2011, with discussions held with a number of leading petroleum companies. WHL Energy received substantial interest with several global petroleum exploration and production companies visiting the physical data-room in the Perth office during the December quarter.

The WHL Energy data room closed towards the end of the December 2011 quarter and the Company commenced commercial discussions with potential partners to secure an acceptable farm-out for the Company. WHL Energy has continued those discussions.

The Company has also received unsolicited interest in its Seychelles acreage and those discussions continue.

New Ventures West and East Africa

Screening and evaluation of new venture opportunities in the West and East African regions commenced during the second half of 2011 and are continuing projects for the Company. These studies are being undertaken in order to diversify WHL Energy's exploration portfolio and support the Company's continued growth.

A country review was undertaken to develop an understanding of the political risks in the region. The geological opportunities in the region were also reviewed in order to high grade the highest potential opportunities. A number of potential opportunities were evaluated in the fourth quarter of 2011, but none were sufficiently compelling to pursue at this time.

Australia

During October 2011, WHL Energy announced it held a 33.33% interest in a consortium that had been offered the gazettal round acreage W10-25, in the Commonwealth - Western Australian Joint Authority 2010 Australian Offshore Petroleum Exploration Acreage Release. Subsequently, on 21 November 2011, WHL Energy announced the consortium was awarded the Exploration Permit that was renamed by the Joint Authority as WA-460-P.

WA-460-P is interpreted by WHL Energy to cover in the order of 20% (2.5 trillion cubic feet) of the estimated 13.3 tcf Palta prospect that straddles exploration license WA-384-P in which Shell holds a 100% interest. Release area WA-460-P is located 70 km west of Cape Range and lies adjacent to the Shell exploration permit WA-384-P in which the Palta-1 well is planned to be drilled in 2012. This provides WHL Energy with near-term leverage to a high-impact oil and gas exploration well to be drilled by an international oil and gas major.

Interests in the Consortium for the permit are:

Strike Energy Limited (ASX:STX) 33.333% (Operator)
 WHL Energy Limited (ASX:WHN) 33.333%
 Cottesloe Oil and Gas Pty Ltd 33.334%

The award of WA-460-P demonstrates the ability of the Company to succeed in Australian gazettal rounds. Importantly the success in the 2010 gazettal round establishes the Company's technical and financial credentials for participating in subsequent gazettal rounds - both in Australia and internationally.

New Gazettal Acreage

The Company lodged a further application for additional Australian offshore acreage; the target of the application was released as part of the 2011 acreage release. The Company seeks to focus on opportunities for gas assets in the Australian southern margin with potential access to the east coast gas market.

The Company believes the acreage applied for has the potential to be commercialised as early as 2015/2016. WHL Energy expects to be notified during the first half of 2012 if it has been successful. The Company continues to look for further partnering alliances that would provide for near term production.

DIRECTORS' REPORT (continued)

OTHER ASSETS

US OIL AND GAS

Kansas Oil and Gas Projects

The Company has moved to appoint an independent sales agent to facilitate the disposal of these assets after a private sale offer was withdrawn during December 2011. The Kansas Oil and Gas Projects are the last remaining operational assets owned by the Company in the USA. Following the sale of these assets the Company will wind-up the final corporate entities in the USA.

SUBSEQUENT EVENTS

UK Wind Farms

Subsequent to end of the half year period, WHL Energy announced it had elected not to pursue its UK Renewable Energy project, allowing the Company to fully focus on its growing international oil and gas interests.

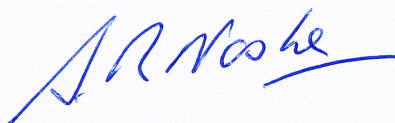
The decision to relinquish the Company's UK-based Wind Farm assets followed a lengthy investigation and independent technical review. The review concluded that the length of time and cost required to obtaining planning consent for its proposed Wings Law Wind Farm could not provide sufficient value to WHL Energy and its shareholders.

The Company has informed local land owners of its decision and it is now free to relinquish its obligations.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, HLB Mann Judd, to provide the directors of the company with an Independence Declaration in relation to the review of the interim financial report. This Independence Declaration is set out on page 7 and forms part of this directors' report for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



Mr Steven Noske
Managing Director
13 March 2012

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of WHL 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:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.



**Perth, Western Australia
13 March 2012**

**N G NEILL
Partner, HLB Mann Judd**

For personal use only

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Notes	Consolidated	
		6 months to 31 December 2011 \$	6 months to 31 December 2010 \$
Continuing operations			
Revenue		188,479	13,050
Expenses			
Depreciation and amortisation expense		(23,988)	(98)
Finance costs		(539)	(365)
Consultants		(199,309)	(64,906)
Employee expenses		(900,555)	(218,861)
Exploration expenditure written off		(405,831)	(380,295)
Foreign exchange loss		(171,103)	(1,099)
General and administrative expenses		(350,021)	(381,043)
Occupancy costs		(131,511)	(10,500)
Share based payments		(139,591)	(7,621)
Loss before income tax	2	(2,133,969)	(1,051,738)
Income tax expense		-	-
Loss after tax from continuing operations		(2,133,969)	(1,051,738)
Loss from discontinued operations	4	(418,405)	(3,428,088)
Net loss for the period		(2,552,374)	(4,479,826)
Other comprehensive income			
Exchange differences on translation of foreign operations		368,231	(135,610)
Fair value adjustment to financial assets		-	(16,684)
Total other comprehensive income/(loss) for the period		368,231	(152,294)
Total comprehensive loss for the period		(2,184,143)	(4,632,120)
Basic loss per share (cents) (weighted average)		(0.21)	(1.35)
Basic loss per share from continuing operations (cents)		(0.18)	(0.32)
Basic loss per share from discontinued operations (cents)		(0.03)	(1.03)

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011**

	Notes	Consolidated	
		31 December 2011 \$	30 June 2011 \$
Assets			
Current assets			
Cash and cash equivalents		3,672,755	9,411,547
Trade and other receivables		212,142	397,404
Other financial assets		-	22,810
		<u>3,884,897</u>	<u>9,831,761</u>
Assets classified as held for sale	4	244,798	574,687
Total current assets		<u>4,129,695</u>	<u>10,406,448</u>
Non-current assets			
Other financial assets		56	59
Plant and equipment		222,875	55,200
Deferred exploration and evaluation expenditure	3	17,081,203	15,608,786
Total non-current assets		<u>17,304,134</u>	<u>15,664,045</u>
Total assets		<u>21,433,829</u>	<u>26,070,493</u>
Liabilities			
Current liabilities			
Trade and other payables		560,980	1,290,738
Other financial liabilities		-	2,328,590
Provisions		38,915	21,127
		<u>599,895</u>	<u>3,640,455</u>
Liabilities associated with assets held for sale	4	19,971	34,630
Total current liabilities		<u>619,866</u>	<u>3,675,085</u>
Total liabilities		<u>619,866</u>	<u>3,675,085</u>
Net assets		<u>20,813,963</u>	<u>22,395,408</u>
Equity			
Issued capital	5	53,802,906	53,339,799
Reserves		852,672	344,850
Accumulated losses		(33,841,615)	(31,289,241)
Total equity		<u>20,813,963</u>	<u>22,395,408</u>

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2011**

Consolidated	Issued Capital	Accumulated Losses	Foreign Currency Translation Reserve	Asset Revaluation Reserve	Option Reserve	Total Equity
Balance at 1 July 2010	28,853,461	(25,405,127)	200,364	(6,819)	-	3,641,879
Loss for the period	-	(4,479,826)	-	-	-	(4,479,826)
Net change in fair value of available-for-sale financial assets	-	-	-	(16,684)	-	(16,684)
Exchange differences arising on translation of foreign operations	-	-	(135,610)	-	-	(135,610)
Total comprehensive income for the period	-	(4,479,826)	(135,610)	(16,684)	-	(4,632,120)
Share-based payments	-	-	-	-	7,621	7,621
Cost of issues of shares	(504,853)	-	-	-	-	(504,853)
Shares issued during the half-year	7,500,000	-	-	-	-	7,500,000
Options issued during the half- year	30,000	-	-	-	-	30,000
Balance at 31 December 2010	35,878,608	(29,884,953)	64,754	(23,503)	7,621	6,042,527
Balance at 1 July 2011	53,339,799	(31,289,241)	(250,281)	50	595,081	22,395,408
Loss for the period	-	(2,552,374)	-	-	-	(2,552,374)
Net change in fair value of available-for-sale financial assets	-	-	368,231	-	-	368,231
Total comprehensive income for the period	-	(2,552,374)	368,231	-	-	2,184,143
Share-based payments	-	-	-	-	139,591	139,591
Cost of issues of shares	(493)	-	-	-	-	(493)
Shares issued during the half-year	463,600	-	-	-	-	463,600
Balance at 31 December 2011	53,802,906	(33,841,615)	117,950	50	734,672	20,813,963

The accompanying notes form part of these financial statements

**CONDENSED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

	Consolidated	
	6 months to 31 December 2011 \$	6 months to 31 December 2010 \$
Notes	Inflows/(Outflows)	
Cash flows from operating activities		
Payments to suppliers and employees	(2,489,617)	(1,039,990)
Finance costs	(1,637)	(365)
Net cash inflow/(outflow) from operating activities	(2,491,254)	(1,040,355)
Cash flows from investing activities		
Payments for property, plant and equipment	(228,958)	(5,674)
Proceeds from disposal of exploration interest	28,308	-
Payments for net exploration and evaluation expenditure	(3,180,815)	22,275
Loan to other corporation	-	(3,355,443)
Interest received	131,514	7,700
Net cash inflow/(outflow) from investing activities	(3,249,951)	(3,331,142)
Cash flows from financing activities		
Proceeds from issue of shares	463,600	7,500,000
Payments for share issue costs	(463,461)	(504,853)
Proceeds from issue of options	-	30,000
Proceeds from advance received	-	10,000
Net cash inflow/(outflow) from financing activities	139	7,035,147
Net (decrease)/increase in cash held	(5,741,065)	2,663,650
Cash and cash equivalents at the beginning of the period	9,411,547	175,785
Effects of exchange rate fluctuations on cash held	2,273	(10,115)
Cash and cash equivalents at the end of the period	3,672,755	2,829,320

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These interim consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134 'Interim Financial Reporting', Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by WHL Energy Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Basis of preparation

The interim financial report has been prepared on a historical cost basis, except for the revaluation of certain financial instruments to fair value. Cost is based on the fair value of the consideration given in exchange for assets. The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the interim financial report, the half-year has been treated as a discrete reporting period.

Significant accounting judgments and key estimates

The preparation of interim financial reports requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2011.

Management is required to make certain estimates and assumptions as to future events and circumstances, particularly in relation to the assessment of the fair value of the deferred exploration and evaluation assets. Any such estimates may change as new information becomes available. During the half year ended 31 December 2011 the Company assessed the deferred exploration and evaluation expenditure and this was impaired to reflect the fair value based on certain estimates and assumptions.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

Going concern

WHL Energy is currently a pure exploration company whose sources of funds are the input of new equity and interest on cash holdings which is required to fund exploration expenditure and other commitments. The Group has incurred a loss for the half year ended 31 December 2011 of \$2,552,374 (31 December 2010: \$4,479,826); and has accumulated losses of \$33,841,615 at 31 December 2011 (31 December 2010 \$29,884,953); negative operating cash flows of \$2,491,254 (31 December 2010: \$1,040,355) and a net current asset position as at 31 December 2011 of \$3,509,829 (31 December 2010: net current asset \$1,976,111).

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Directors have prepared cash flow projections that support the ability of the Group to continue as a going concern. These cash flow projections are dependent on:

- the Company raising additional funding from shareholders and/or external parties; and
- the Group realising its interest in various oil and gas exploration assets at least equal to its current carrying value.

The Directors are confident that the Company will be successful in raising additional funds based on the level of indicative support from the Company's Corporate Advisors. Accordingly, the interim financial statements have been prepared on a going concern basis.

NOTE 2: LOSS BEFORE INCOME TAX EXPENSE

	Consolidated	
	6 months to 31 December 2011 \$	6 months to 31 December 2010 \$
The following expense items are relevant in explaining the financial performance for the half-year:		
Revenue from continuing operations		
Interest	133,405	13,050
Expenses from continuing operations		
Exploration expenditure written off	405,831	380,295
Employee benefit expense	900,555	218,661
Foreign exchange loss realised	171,103	1,099
Expenses from discontinued operations		
Impairment of deferred exploration expenditure	361,572	3,352,260

NOTE 3: DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	31 December 2011 \$	30 June 2011 \$
Costs carried forward in respect of:		
Exploration and evaluation phase – at cost		
Opening balance at the beginning of the period	15,608,786	3,951,394
Acquisition of tenements	1,500	11,455,702
Expenditure incurred	1,141,595	3,953,692
Disposal of tenements	-	(700,362)
Impairment of asset	-	(2,718,669)
Foreign currency exchange movement	329,322	233,190
Classified as held for sale	-	(566,161)
Closing balance at end of the period	17,081,203	15,608,786

The recoupment of costs carried forward in relation to areas of interest in the exploration and evaluation phases are dependent on the success development and commercial exploitation or sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 4: ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

These assets are classified as held for sale as a result of the Group's change in strategic focus from US oil and gas assets to the Seychelles exploration asset and therefore the divestment of the US oil and gas assets. The disposal proceeds are expected to be in cash. The transactions are expected to be concluded by the 30 June 2012. The total exploration impairment losses recognised in the current reporting period is \$361,572 and the total plant and equipment impairment losses recognised is \$nil.

The results of the discontinued operation which have been included in the statement of comprehensive income are as follows:

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Revenue	-	-
Expenses	(56,833)	(75,828)
Loss	(56,833)	(75,828)
Loss recognised on the re-measurement to fair value	(361,572)	(3,352,260)
Loss before tax from discontinued operations	(418,405)	(3,428,088)
Tax income	-	-
Loss for the year from discontinued operations	(418,405)	(3,428,088)
Loss attributable to owners of the parent entity relates to:		
Loss from discontinuing operations	(418,405)	(3,428,088)

The major classes of assets and liabilities comprising the operations classified as held for sale at balance date are as follows:

	Consolidated	
	31 December 2011	30 June 2011
	\$	\$
Assets		
Deferred exploration expenditure	235,949	566,161
Plant and equipment	8,849	8,526
	244,798	574,687
Liabilities		
Trade creditors and payables	(19,971)	(34,630)
	(19,971)	(34,630)
Net assets classified as held for sale	224,827	540,057

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 5: ISSUED CAPITAL

	Consolidated	
	31 December 2011 \$	30 June 2011 \$
<i>Issued Capital</i>		
Ordinary shares	52,290,411	51,827,304
Options	1,512,495	1,512,495
	53,802,906	53,339,799

	31 December 2011	30 June 2011	31 December 2011	30 June 2011
	No.	No.	\$	\$
<i>Movements in ordinary shares on issue</i>				
At start of period	1,212,100,886	292,303,142	51,827,304	28,766,966
Issue of shares	14,487,500	919,797,744	463,600	24,306,400
Cost of shares issued	-	-	(493)	(1,246,062)
At end of period	1,226,588,386	1,212,100,886	52,290,411	51,827,304
<i>Movements in listed options</i>				
At start of period	169,808,346	9,808,346	1,512,495	86,495
Issue of options	-	160,000,000	-	1,426,000
At end of period	169,808,346	169,808,346	1,512,495	1,512,495

NOTE 6: SEGMENT REPORTING

The operating segments have been identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of performance focused on operating oil and gas exploration, the wind farm activity in the UK and the corporate administration entity.

The segment information for the corporate entity focused on the administration costs and the minimisation thereof as assessment of performance. The exploration entity and the wind farm development entity were reviewed as a whole and the assessment of performance focused on exploration expenditure and cost minimisation. The operating entity's performance was assessed based on cashflow information. A consolidated position was not used to assess the performance of the operating segments. This information is prepared in the tables below to reconcile to the Financial Statements for the period.

There are no accounting policy differences between the reportable segments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 6: SEGMENT REPORTING (continued)

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the year period 31 December 2011.

Period ended 31 December 2011	Continuing Operations			Discontinued Operation US Oil and Gas	Elimination	Total
	Wind Farm Development	Oil and Gas Exploration	Corporate Entity	Operations		
Revenue						
Interest received	6	-	133,399	-	-	133,405
Other revenue	-	-	55,074	-	-	55,074
Total segment revenue	6	-	188,473	-	-	188,479
Operating expenses	(47,053)	(58,671)	(2,534,220)	(418,405)	317,496	(2,740,853)
Segment net operating loss	(47,047)	(58,671)	(2,345,747)	(418,405)	317,496	(2,552,374)
Segment assets						
Cash and cash equivalents	4,046	3,990	3,642,171	22,548	-	3,672,755
Other receivables	8,515	9,416	168,034	26,177	-	212,142
Loans subsidiaries	-	-	11,017,341	-	(11,017,341)	-
Investment subsidiaries	-	80,000	6,609,455	-	(6,609,455)	80,000
Other investments	-	-	56	-	-	56
Deferred exploration expenditure	-	15,060,451	34,066	235,949	1,906,686	17,237,152
Plant & equipment	1	-	222,872	8,849	-	231,722
Intangible assets	2	-	-	-	-	2
Total segment assets	12,564	15,153,857	21,693,995	293,523	(15,720,110)	21,433,829
Segment liabilities						
Trade and other payables	10,782	16,712	572,512	19,971	(111)	619,866
Loan from parent entity	7,343,306	10,746,072	-	689,280	(18,778,658)	-
Total segment liabilities	7,354,088	10,762,784	572,512	709,251	(18,778,769)	619,866

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 6: SEGMENT REPORTING CONTINUED

Segment information

The following tables present revenue and profit information and certain asset and liability information regarding business segments for the period ended 31 December 2010.

Period ended 31 December 2010	Continuing Operations			Discontinued Operation US Oil and Gas	Elimination	Total
	Wind Farm Development	Oil and Gas Exploration	Corporate Entity	Operations		
Revenue						
Interest received	-	-	13,050	-	-	13,050
Other revenue	-	-	-	-	-	-
Total segment revenue	-	-	13,050	-	-	13,050
Operating expenses	(515,460)	-	(1,843,631)	(3,428,088)	1,294,303	(4,492,876)
Segment net operating loss	(515,460)	-	(1,830,581)	(3,428,088)	1,294,303	(4,479,826)
Segment assets						
Cash and cash equivalents	10,792	-	2,782,911	35,617	-	2,829,320
Other receivables	5,166	-	85,363	6,057	-	96,586
Loans subsidiaries	-	-	580,373	-	(580,373)	-
Investment subsidiaries	-	-	335	-	(335)	-
Other investments	-	-	88,423	-	-	88,423
Deferred exploration expenditure	-	-	-	610,377	-	610,377
Plant & equipment	2	-	5,574	6,595	-	12,171
Intangible assets	2	-	3,355,443	-	-	3,355,445
Total segment assets	15,962	-	6,898,422	658,646	(580,708)	6,992,322
Segment liabilities						
Trade and other payables	281,999	-	612,028	55,879	(111)	949,795
Loan from parent entity	6,825,045	-	-	1,248,986	(8,074,031)	-
Total segment liabilities	7,107,044	-	612,028	1,304,865	(8,074,142)	949,795

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 7: RELATED PARTY TRANSACTIONS

The transactions with key management personnel have been entered into under terms and conditions no more favourable than those the Company would have adopted if dealing at arm's length.

The following table provides the total amount of transactions that were entered into with related parties for the relevant period.

<i>Related party</i>		<i>Expenditure Related Parties \$</i>	<i>Amounts Owed by Related parties \$</i>	<i>Amounts Owed to Related parties \$</i>
Directors	6 months Dec 2011	18,903	-	-
Directors	6 months Dec 2010	21,605	9,576	26,827

Terms and conditions of transactions with related parties

During the period Ovid Management Services an entity associated with David Rowbottam provided office support of \$2,818 to the Company net of GST.

During the period Peter Bartter Track Pty Ltd, an entity associated with Peter Bartter provided consulting services to the Company of \$3,135 net of GST.

During the period Ausoco Pty Ltd, an entity associated with Steven Noske provided consulting services to the Company of \$12,950 net of GST.

There are no outstanding balances at 31 December 2011.

NOTE 8: SHARE BASED PAYMENTS

During the half year 42,550,000 options were issued under the Employee Option Scheme ("EOS"). These options were issued free of charge and have various exercise prices and vesting conditions as follows:

- 35,000,000 options with an exercise price of \$0.0495 exercisable until 31 December 2013 and vesting upon performance criteria being met prior to expiry date;
- 4,550,000 options with an exercise price of \$0.0392 exercisable until 31 July 2013 and vesting upon meeting continuous employment criteria;
- 1,000,000 options with an exercise price of \$0.0511 exercisable until 31 December 2013 and vesting upon meeting continuous employment criteria; and
- 2,000,000 options with an exercise price of \$0.085 exercisable until 31 August 2013 and vesting immediately.

At the Annual General Meeting the shareholders approved the provision of a retirement benefit of 5,000,000 options to Peter Bartter in connection with his cessation to hold a managerial or executive office in the Company. These options vested immediately with an exercise price of \$0.085 and are exercisable until 31 August 2013.

An amount of \$139,591 has been charged against profits for the period, reflecting the values attributed to the various options issued during the period. The Employee Equity Option Reserve has been increased by a corresponding amount.

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE

Kansas Oil and Gas Projects

The Company appointed an independent sales agent on 13 February 2012 to facilitate the disposal of these assets after a private sale offer was withdrawn during December 2011. The Kansas Oil and Gas Projects are the last remaining operational assets owned by the Company in the USA. Following the sale of these assets the Company will proceed to wind-up the final corporate entities in the USA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 9: EVENTS SUBSEQUENT TO REPORTING DATE (continued)

UK Wind Farms

Subsequent to end of the half year period, WHL Energy announced it had elected not to pursue its UK Renewable Energy projects, allowing the Company to fully focus on its growing international oil and gas interests.

The decision to relinquish the Company's UK-based Wind Farm assets followed a lengthy investigation and independent technical review. The review concluded that the length of time and cost required to obtaining planning consent for its proposed Wings Law Wind Farm could not provide sufficient value to WHL Energy and its shareholders.

The Company has informed local land owners of its decision and it is now free to relinquish its obligations. The Company will proceed to winding-up the corporate entities in the UK group. The UK renewable Energy projects are separately identified in the segment report under the Wind Farm development segment.

NOTE 10: CONTINGENT LIABILITIES AND COMMITMENTS

(i) Capital commitments

There has been no change in capital commitments since the last annual reporting date.

(ii) Expenditure commitments

During the period the Company entered into non-cancellable operational agreements as follows:

	Consolidated	
	31 December 2011	31 December 2010
	\$	\$
Not later than one year	1,843,153	-
Later than one year but not later than five years	919,413	-
Later than five years	-	-
	2,762,566	-

(iii) Contingent liability

There are no outstanding contingent liabilities not provided for in the financial statements of the Consolidated Entity as at 31 December 2011 other than:

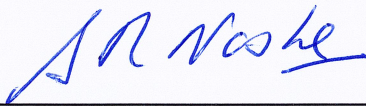
- Guarantee - The Company has lodged a deposit of \$60,367 as surety for a Bank Guarantee in respect of the lease of the Perth Office.
- On 31 January 2012 the Company received notification from the Kansas Corporate Commission of a pending claim to recover damages for a break out from an abandoned well near one of the Company's injector wells in the Samp lease in Crawford County Kansas. The Company disputes that its injector well is the cause of the break out and seeks to do further testing to confirm that the injector well is not the source. The Company has prepared a preliminary estimate of approximately \$10,000 on the proposed plugging and remediation costs requested by the Kansas Corporate Commission; but expects further tests planned for March and April will clear the Company of the responsibility for these costs.
- There are overriding royalty interests on the production of oil, gas and other associated hydrocarbons under the Seychelles Petroleum Agreements but these are subject to commercial production commencing.

DIRECTORS' DECLARATION

In the opinion of the directors of WHL Energy Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. 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 then ended.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the Corporations Act 2001.



Mr Steve Noske
Managing Director

13 March 2012

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of WHL Energy Limited

Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of WHL Energy Limited ("the company") which comprises the condensed statement of financial position as at 31 December 2011, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

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 controls 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 a Financial Report 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 financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as 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 the company, 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.

For personal use only

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Matters relating to the electronic presentation of the reviewed half-year financial report

This review report relates to the half-year financial report of the company for the half-year ended 31 December 2011 included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this website. The review report refers only to the half-year financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the half-year financial report. If users of the half-year financial report are concerned with the inherent risks arising from publication on a website they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information contained in this website version of the half-year financial 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 WHL 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*.



HLB MANN JUDD
Chartered Accountants



N G NEILL
Partner

Perth, Western Australia
13 March 2012

For personal use only