

PROSPECTUS

UIL Energy Ltd ACN 153 352 160

Prospectus for the Offer of between 21,000,000 and 30,000,000 New Shares at an Offer Price of \$0.20 per New Share to raise a minimum of \$4.2 million and a maximum of \$6 million with 1 free attaching New Option exercisable at \$0.20 on or before 31 December 2015 for every 2 New Shares subscribed for. Each New Option is exercisable into 1 Share and 1 free Piggy-Back Option.



THIS DOCUMENT IS IMPORTANT AND IT SHOULD BE READ IN ITS ENTIRETY.

If you are in any doubt as to the contents of this document, you should consult your stockbroker, solicitor, professional adviser, banker or accountant without delay.

The securities offered by this Prospectus are considered to be speculative.

LEAD MANAGER CORPORATE ADVISOR





IMPORTANT INFORMATION

This Prospectus seeks to raise between \$4.2 million and \$6 million by offering for subscription between 21,000,000 and 30,000,000 New Shares in UIL Energy Ltd (UIL Energy or the Company) at an Offer Price of \$0.20 per New Share, payable in full on application. For every 2 New Shares subscribed for and issued, investors will be issued 1 free attaching New Option exercisable at \$0.20 on or before 31 December 2015. Each New Option is exercisable into 1 Share and 1 free Piggy-Back Option.

This Prospectus is dated 19 August 2014 and was lodged with ASIC on that date. Neither ASIC nor ASX takes any responsibility for the contents of this Prospectus or the merit of the investment to which this Prospectus relates. The fact that ASX may admit the Company to its official list is not to be taken in any way as an indication of the merits of the Company. The Company will apply to ASX for listing and quotation of the New Shares on ASX within seven days after the date of the Prospectus. No New Shares or New Options will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the New Shares, New Options or the Offer, or to otherwise permit a public offering of securities, in any jurisdiction outside Australia and New Zealand. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Applications can only be made by completing the Application Form in full, in accordance with instructions contained on the reverse of the Application Form.

INCORPORATION BY REFERENCE

The Company's Corporate Governance Charter (Report) is not contained in this document, but has been lodged with ASIC and is taken by law to be included in this Prospectus (refer to Section 6.9). If you are unsure whether you require the information contained in this Report to decide whether or not to invest in the Company, it is recommended that you obtain a copy of this Report. A copy of the Report can be obtained during the application period free of charge by contacting the Company on +61 7 3007 9600 or by email at info@uilenergy.com or by downloading the Report from the Company's website at www.uilenergy.com.au.

EXPOSURE PERIOD

In accordance with Chapter 6D of the Corporations Act, this Prospectus is subject to an Exposure Period of seven days from the date of lodgement of the Prospectus with ASIC. The seven day Exposure Period may be extended by ASIC by a further period of up to seven days.

The purpose of providing an Exposure Period is to enable examination of this Prospectus by market participants prior to the raising of funds. The Company is prohibited from accepting Applications during the Exposure Period. Applications received during the Exposure Period will receive no priority and will not be processed until after the Exposure Period, when they will be treated as having been received simultaneously on the Opening Date. A paper copy of this Prospectus will be made available to Australian residents upon request during the Exposure Period. The Prospectus (without the Application Form) may also be viewed online at www.uilenergy.com.au during the Exposure Period. This Prospectus will only be made available to New Zealand residents following the Exposure Period.

After the Exposure Period, the Prospectus with an accompanying Application Form may be viewed online. The Offer constituted by this Prospectus in electronic form is only available to Australian and New Zealand residents accessing an electronic version of this Prospectus in Australia or New Zealand. It is not available to persons in other jurisdictions. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. Until the Closing Date a paper copy of this Prospectus (including an Application Form) will be provided free of charge upon request by contacting the Company on +61 7 3007 9600 or by email at info@uilenergy.com.

Applications for New Shares under the Offer may only be made on the Application Form attached to or accompanying this Prospectus in its paper copy form, or in its electronic form as downloaded in its entirety from the Company's website at www.uilenergy.com.au. Photocopies of an Application Form will not be accepted. By making an Application, you declare that you were given access to the Prospectus together with an Application Form. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

NOTE TO APPLICANTS

This Prospectus provides information for investors who wish to invest in UIL Energy. It is not financial product advice and does not take into account the investment objectives, financial situation and particular needs of investors. It is important that investors read this Prospectus in its entirety before deciding to invest in the Company and in order to make an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of UIL Energy and the rights and liabilities attaching to the New Shares. The Company is at an early stage of its development. Accordingly there are significant risks associated with investing in the Company. In considering the prospects for the Company, investors should consider the risk factors that could affect the performance of the Company, and carefully consider these factors in the light of their personal circumstances (including financial and taxation issues) and seek professional guidance from their broker, solicitor, professional adviser or accountant before deciding whether to invest. Some risk factors that investors should consider are outlined in Section 4. There may be risk factors in addition to these that should be considered in light of your personal circumstances

Neither the Company, nor any of its Directors, nor the Corporate Advisor or any other party associated with the preparation of this Prospectus, nor the Lead Manager guarantee that any specific objective of the Company will be achieved or that any particular performance of the Company or of its Shares, including those offered by this Prospectus, will be achieved.

The New Shares offered under this Prospectus should be considered speculative.

INDEPENDENT GEOLOGIST'S REPORT

The Independent Geologist's Report set out in Section 8 of this Prospectus and the information in this Prospectus that relates to Prospective Resources has been prepared by McDaniel & Associates Consultants Ltd (McDaniel), an independent petroleum consultancy firm registered with the Association of Professional Engineers and Geoscientists of Alberta (APEGA) with over 50 years of experience in the evaluation of oil and gas properties. The Independent Geologist's Report and the information in the Prospectus that relates to Prospective Resources is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of Mr Bryan Emslie, Mr Cam Boulton, and Mr Mikhail Alexeev, each of whom are employed by McDaniel and are independent of UIL Energy. Mr Emslie has over 30 years of experience in the evaluation of oil and gas properties; Mr Boulton has over 7 years of experience; and Mr Alexeev has in excess of 10 years. Each of Mr Emslie, Mr Boulton, and Mr Alexeev are members of APEGA.

The Independent Geologist's Report in Section 8 and the information in the Prospectus that relates to Prospective Resources has been compiled in accordance with 2007 SPE/WPC/AAPG/SPEE Petroleum Resource Management System.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as "may", "could", "believes", "estimates", "expects", "intends" and other similar words. Investors should note that these statements are inherently subject to uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors which could cause actual values or results, performance or achievements to differ materially from anticipated results, implied values, performance or achievements expressed, projected or implied in the statements. These risks, variables and factors include, but are not limited to, the risks described in Section 4. UIL Energy, the Lead Manager and the Corporate Advisor give no assurance that the anticipated results, performance or achievements expressed or implied in those forward-looking statements will be achieved.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in the Prospectus, except where required by law.

DISCLAIMER

No person is authorised to give any information or to make any representation in connection with the Offer and issue of the New Shares described in this Prospectus, which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company, its Directors, the Lead Manager, their advisers or any other person in connection with the Offer.

PRIVACY

The privacy obligations and policy relating to this Prospectus are contained in the privacy disclosure statement in Section 12.14.

PHOTOGRAPHS AND DIAGRAMS

Photographs used in this Prospectus are for illustration purposes only and should not be interpreted to mean that any person shown in the photographs endorses the Prospectus or its contents unless stated otherwise. Similarly, any assets depicted in the photographs, such as transportation, vehicles, equipment, buildings or other property are not necessarily assets that are owned or used by the Company and have been included for presentation and illustrative purposes unless stated otherwise. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available as at the date of this Prospectus.

FINANCIAL INFORMATION

Section 7 sets out in detail the financial information referred to in this Prospectus. The basis of preparation of that information is set out in Section 7.5.

Financial amounts expressed in this Prospectus are in Australian dollars unless otherwise indicated. Any discrepancies between totals and sums of components in tables contained in this Prospectus are due to rounding.

COMPANY'S WEBSITE

Any references to documents included on the Company's website are provided for convenience only, and none of the documents or other information on the website is incorporated in this Prospectus by reference unless specified in this Prospectus.

GLOSSARY

Certain words and terms used in this Prospectus have defined meanings which appear in Section 13.

IMPORTANT INFORMATION FOR NEW ZEALAND INVESTORS

This Offer to New Zealand investors is a regulated Offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008.

This Offer and the content of the Offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

Neither the Company nor its Shares will be listed or quoted on the New Zealand Stock Market.

QUESTIONS

If you have any questions in relation to the Offer, please contact the Company on +61 7 3007 9600 between 9.00am and 5.00pm (AEST) Monday to Friday or by email at info@uilenergy.com.

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KEY OFFER INFORMATION

KEY DATES	
Date of this Prospectus	19 August 2014
Offer Opening Date	2 September 2014
Offer Closing Date	17 September 2014
Allotment of New Shares and New Options	22 September 2014
Despatch of holding statements	22 September 2014
Anticipated date of trading of New Shares listed for quotation on ASX	25 September 2014

This timetable is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary the dates, which includes closing the Offer early or extending the close of the Offer, without notifying any recipients of the Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

KEY OFFER STATISTICS		
	Minimum Subscription	Maximum Subscription
Offer Price per New Share	\$0.20	\$0.20
New Shares available under the Offer	21,000,000	30,000,000
New Options available under the Offer ⁽¹⁾	10,500,000	15,000,000
Shares on issue prior to the Offer ⁽²⁾	87,007,755	87,007,755
Anticipated percentage of Pre-Offer Shares to be escrowed ⁽³⁾	60%	60%
Options on issue prior to the Offer ⁽⁴⁾	9,900,000	9,900,000
Total issued Shares on completion of the Offer ⁽²⁾	108,007,755	117,007,755
Total Options on issue on completion of the Offer ⁽⁵⁾⁽⁶⁾	36,395,375	42,695,375
Capitalisation of Shares at the Offer Price	\$21.6 million	\$23.4 million
Estimated cash on completion of the Offer (before Offer costs)	\$4.4 million	\$6.2 million
Enterprise value at the Offer Price	\$17.2 million	\$17.2 million

- (1) A New Option will be issued for every two New Shares issued under the Offer. The terms of the New Options are set out in Section 12.2.
- (2) Excludes any Performance Rights on issue. Further details regarding the Performance Rights on issue are set out in Section 6.5.
- (3) There are 87,007,755 Shares on issue prior to the Offer. Of these the Company anticipates approximately 30,487,678 Shares (35% of Pre-Offer Shares) will be subject to ASX mandatory escrow on completion of the Offer. In addition 21,590,750 Shares (25% Pre-Offer Shares) are subject to voluntary escrow as described in Section 5.19. Further details with respect to escrow are set out in Section 5.19.
- (4) Details of the Options on issue are set out in Section 12.2.
- (5) Includes the anticipated grant of between 4,200,000 and 6,000,000 Options to the Lead Manager based on the Lead Manager raising the Minimum Subscription, as described in Section 11.2 and includes 1,000,000 Options to be issued to Bizzell Capital Partners (an entity related to Stephen Bizzell) in connection with the Corporate Advisory Services Agreement as described in Section 11.3.
- (6) Excludes any Piggy-Back Options issued on exercise of New Options. Further details regarding the Piggy-Back Options are described in Sections 5.3 and 12.3.

LETTER FROM THE CHAIRMAN

On behalf of the Board, it is my pleasure to present this Prospectus for UIL Energy Ltd's initial public offering on ASX and invite you to become a Shareholder in the Company.

Australia's emergence as a major force in the energy sector is a direct result of unconventional oil and gas leading a paradigm shift in global energy supplies. Australia is already seeing tremendous wealth creation for the nation and for those companies in the forefront of exploration and development. UIL Energy has seized this opportunity and built a diversified portfolio of interests in highly prospective acreage in the already-proven hydrocarbon-bearing basins in Western Australia – the largest gas market in Australia.

UIL Energy's strategy is focused on targeting the onshore Perth and Canning Basins, which have a history of commercial petroleum production and contain both unconventional and conventional plays. This offers the opportunity to prove-up substantial resources and provide the potential for early commercialisation. The majority of the Company's Permits have been strategically secured close to existing infrastructure, allowing for easier delivery of product to market. UIL Energy holds high percentage interests in its Permits, allowing flexibility in considering development options to maximise value creation.

UIL Energy's assets are highlighted by its permits in the Perth Basin, one of Australia's productive onshore petroleum basins. UIL Energy holds one of the Perth Basin's largest acreage positions with six Permits covering approximately 2,558 km² gross (over 632,082 gross acres). The Perth Basin has both conventional and unconventional oil, condensate and gas targets, and the main gas pipeline servicing the Perth domestic market traverses UIL Energy's Permits. Recent discoveries in neighbouring fields underscore the potential of the Company's Permits in the Perth Basin. UIL Energy has one EPA and two Special Prospecting Authority applications in the Canning Basin covering approximately 15,144 km² gross (over 3.74 million gross acres). UIL Energy sees the Canning Basin as an exciting opportunity and will be completing early stage exploration activities and seeking to convert these applications to Exploration Permits. The Canning Basin's substantial oil and gas potential has been underlined by the entrance of a number of global energy producers and recent exploration by junior companies.

UIL Energy's Permits in Western Australian provide it with access to the largest domestic gas sector in Australia and geographic proximity to growing Asian demand for energy. The Western Australian market is currently supply-constrained with prices estimated to rise in real terms from current levels of around \$8/GJ to approximately \$12/GJ by 2030.

UIL Energy has an experienced Board and management team with an expertise in oil and gas exploration, development and production as well as a strong track record of value creation for shareholders. The Board includes UIL Energy's Managing Director John de Stefani and Non-Executive Director Stephen Bizzell, former CEO and founding director of Bow Energy respectively where they guided its growth through to its acquisition by Arrow Energy (owned by Shell and PetroChina) for \$550 million in January 2012. Mr de Stefani is joined in management by Vic Palanyk, UIL Energy's Chief Operating Officer. Mr Palanyk was COO at Bow Energy and has a wealth of unconventional oil and gas exploration and production experience, including senior management positions with QGC, Anglo American and Rio Tinto. The Board and management team own in total approximately 42% of the pre-IPO shares in the Company which is a strong endorsement for UIL Energy's team, assets and prospects.

The dynamic growth of the unconventional oil and gas industry in Australia presents an exciting opportunity. UIL Energy is strategically positioned to grow shareholder value through the combination of interests in key acreage in proven hydrocarbon basins, their proximity to existing infrastructure, a management team with a strong track record, leverage to robust domestic energy demand and a supportive State development environment.

The Prospectus offers between 21,000,000 and 30,000,000 New Shares for subscription at an Offer Price of \$0.20 per New Share to raise a minimum of \$4.2 million and a maximum of \$6 million (before Offer costs). For every 2 New Shares subscribed for, investors will be issued 1 free attaching New Option exercisable at \$0.20 on or before 31 December 2015. Upon the valid exercise of a New Option, in addition to being issued a Share, the holder will be issued one "Piggy-Back Option", exercisable at \$0.24 on or before 31 December 2018.

The Prospectus contains details of the Offer, the Company, its projects and operational plans and a comprehensive section on associated risks. It is important that you read this Prospectus carefully before making a decision to invest in UIL Energy.

I look forward to welcoming you as a shareholder of UIL Energy.

Sincerely,

Simon Hickey Chairman



1. INVESTMENT OVERVIEW

1.1 OVERVIEW OF UIL ENERGY

UIL Energy is an Australian oil and gas exploration company targeting conventional and unconventional plays with a portfolio across the onshore Perth and Canning basins in Western Australia.

The unconventional oil and gas industry in Australia is in its early stages of development, following the lead of the US unconventional industry. UIL Energy believes that new techniques will allow companies to unlock tremendous value in known petroleum basins in Australia.

The Company's strategy is to focus on large scale opportunities across two known petroleum basins with a history of oil and gas production in Western Australia. Along with geological prospectivity, UIL Energy has targeted areas that have pipeline or transport infrastructure in place or in reasonable proximity. The Company views early commercialisation opportunities through existing infrastructure as a key to success.

UIL Energy has high percentage interests in and is the operator of its Permits. This maximises the Company's options for exploring and developing its project areas and allows it to capitalise on potential value creation from its activities.

UIL Energy's Permits are all in Western Australia, the largest domestic gas market in Australia. The Western Australia gas market is already supply-constrained and estimated to continue to be so. As highlighted in the ACIL Allen Report, current gas prices of around \$8/GJ are estimated to increase to approximately \$12/GJ in real terms over the next 16 years.¹ Western Australia's proximity to growing energy demand from Asia is also a positive influence on the prospects for oil and gas in the State.

Further details on UIL Energy, its assets and planned exploration program are set out in Section 2.

UIL Energy has an experienced Board and management team. The Board has significant experience in senior positions of publicly listed and privately held companies in oil & gas, resources and project development. The management team is led by Managing Director, John de Stefani and Chief Operating Officer, Vic Palanyk. Mr de Stefani and Mr Palanyk were previously CEO and COO respectively at Bow Energy, which was acquired by Arrow Energy (owned by Shell and PetroChina) in January 2012 for \$550 million.

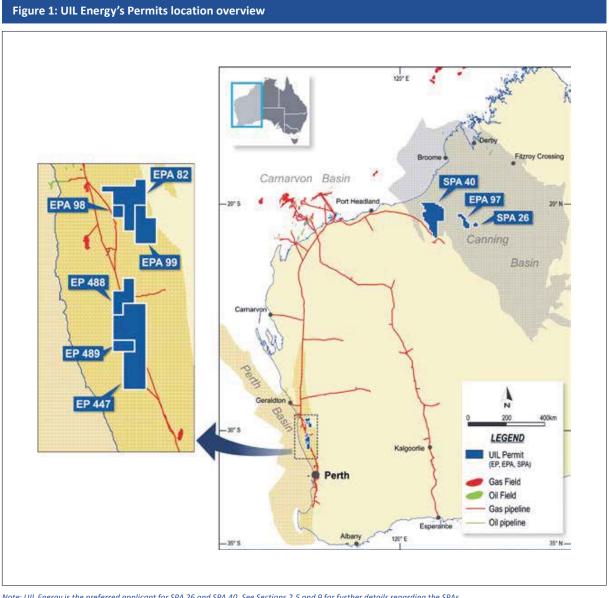
Further details of the Company's Board and management team are set out in Section 6.

1.2 UIL ENERGY'S PERMITS

UIL Energy's Permits are as follows:

- (a) Perth Basin
 - (1) 50% interest in EP 447. Further details are set out in Section 11.1;
 - (2) 100% interest in EP 488 and EP 489; and
 - (3) 100% interest in three EPAs which UIL Energy has been granted preferred applicant status by DMP (EPA 82, EPA 98 and EPA 99).
- (b) Canning Basin
 - (1) 100% interest EPA 97; and
 - (2) Preferred applicant for two SPAs (SPA 26 and SPA 40).

In total, UIL Energy's Permits cover approximately 17,702 km² (gross), (4,374,164 acres (gross)), across the onshore Perth and Canning Basins. Further details of UIL Energy's Permits are set out in Sections 2 and 9.



Note: UIL Energy is the preferred applicant for SPA 26 and SPA 40. See Sections 2.5 and 9 for further details regarding the SPAs.

UIL Energy's high percentage interest in its Permits provides the Company with flexibility regarding the timing of and approach to exploration, and any subsequent development of delineated oil and gas reserves.

1.3 KEY INVESTMENT ATTRIBUTES

The Board of UIL Energy believes the key attributes of the Company's investment case include the following:

- (a) Strategy of targeting conventional and unconventional oil and gas plays in proven hydrocarbon basins with a known history of commercial production;
- (b) High percentage interests in and the operator of its Permits in areas with conventional and unconventional oil and gas potential;
- (c) Close proximity to pipeline and transport infrastructure for majority of Permits;
- (d) Western Australia's gas market is the largest in Australia and prices are closely aligned with LNG pricing;
- (e) Declining production from offshore sources in Western Australia provides for an attractive pricing outlook; and
- (f) Experienced and successful management team led by Managing Director John de Stefani.

1.4 PURPOSE OF THE OFFER

The purpose of the Offer is to enable the company to:

- (a) undertake the Proposed Work Program (described in Sections 1.6, 2.5 and 2.6);
- (b) pay the expenses of the Offer; and
- (c) replenish the Company's working capital.

Following the Offer, the Directors are satisfied that UIL Energy will have sufficient funds to meet its stated objectives.

1.5 BUSINESS GOALS

Table	1: UIL Energy's key goals	
	SHORT TERM GOALS (PROPOSED WORK PROGRAM®)	
	+ Assess conventional targets that may provide the opportunity for early production	+ Seek production from conventional and unconventional targets
	+ Shoot 2D seismic in EP 488 and EP 489	+ Drill conventional wells located in high graded areas
	+ Complete and interpret 2D seismic surveys	across the permits
Perth Basin	+ Commission an independent assessment of the resource potential of the Permits EPA 82, EPA 98 and EPA 99	 + Conduct further geological and technical review of EP 447 in preparation for the proposed drilling, outside of the Proposed Work Program, of a well and drill the well to test the unconventional potential of the over-pressured
Per	+ Negotiate agreements to enable grant of the EPAs	sections of the Cattamarra Coal Measures for Basin Centred Gas Accumulation
	+ If the maximum subscription is raised, 3D seismic across EP 447, EP 488 or EP 489 to high	 Prove-up potential unconventional plays with the aim of defining a significant resource
	grade potential conventional targets ⁽²⁾	+ Test the unconventional targets of the Kockatea Shale and Carynginia Formation within EPA 82 and EPA 98
Canning Basin	 Complete geophysical exploration work and, if work considered positive, apply for Exploration Permits over SPA 26 and SPA 40 	 Determine the most suitable exploration program moving forward based on geological work and results from neighbouring company exploration
Canni	+ Negotiate agreements to enable grant of EPA 97	 Define drilling locations and test both conventional and unconventional plays over acreage

⁽¹⁾ See Section 4.2(c) regarding the risks relating to the Proposed Work Program.

⁽²⁾ The Directors reserve the right to allocate funds to the most appropriate seismic program based on geological information available at the time. This may also include 2D seismic on EPA 82 if this application is granted within the Proposed Work Program time frame.

1.6 PURPOSE OF THE OFFER AND PROPOSED WORK PROGRAM

The Proposed Work Program is focused on establishing the prospectivity of unconventional targets and, if possible, to identify shallower conventional targets and assess their prospectivity.

Depending on the exploration results, UIL Energy is targeting to expand its resources position through utilisation of funds raised under this Offer. In parallel with the exploration, the Company will look to add high potential opportunities to its diversified portfolio.

The Proposed Work Program outlined in Sections 2.5 and 2.6 will ensure that UIL Energy has sufficient funds to satisfy the minimum expenditure requirements applying to EP 488 and EP 489 for the 15 month duration of the Proposed Work Program. The minimum expenditure commitments for each of the Permits are set out in Appendix 2 of the Independent Geologist's Report.

The Directors of UIL Energy are satisfied that, upon completion of the Offer, when combined with its existing cash, the Company will have sufficient funds to meet its stated objectives under its Proposed Work Program. Table 2 sets out how the Company intends to utilise its sources of funds.

Under the current permit work commitments for EP 447, one exploration well with an estimated work commitment expenditure of \$5 million is due for completion by 22 August 2015 which is not reflected in the Proposed Work Program. Should the Company decide to seek to drill this well, the Company will need to either obtain funding through a third party farm-in or raise additional funds during the 15 month duration of the Proposed Work Program to meet the costs associated with drilling the well in order to keep the asset in good standing. Otherwise, the Company would require approval from the Department for a time extension to drill the well. See Section 4.2(a) regarding the risks relating to raising future capital and the risk of the Company forfeiting its exploration interests in EP 447 if it is unable to meet the minimum expenditure commitments set by the Department.

Further funding will be required to meet the minimum expenditure requirements for the Permits and to progress exploration activities beyond the Proposed Work Program and, if such exploration is successful, significant additional funding would be required for development and commercialisation activities. Further details regarding the need for additional funding are described in Section 4.2(a).

Table 2: Sources and uses of funds		
SOURCES OF FUNDS	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Existing cash estimated as at 1 September 2014	\$0.2 million	\$0.2 million
Gross proceeds of the Offer	\$4.2 million	\$6.0 million
Total available cash	\$4.4 million	\$6.2 million
USES OF FUNDS ⁽¹⁾	AMOUNT	AMOUNT
PERTH BASIN		
EP 488 and EP 489: plan, obtain approvals and carry out approximately 100km of 2D seismic program	\$1.5 million	\$1.5 million
EP 447: geological and technical review in preparation for the drilling commitment	\$0.2 million	\$0.2 million
3D seismic program across EP 447, EP 488 or EP 489 to high grade potential conventional targets ²	-	\$1.7 million
CANNING BASIN		
SPA 26 and SPA 40 ³ : complete gravity magnetics surveys	\$0.8 million	\$0.8 million
CORPORATE		
Working capital for 15 months	\$1.3 million	\$1.3 million
Costs of the Offer	\$0.6 million	\$0.7 million
Total use of funds	\$4.4 million	\$6.2 million

⁽¹⁾ The Directors reserve the right to amend the Work Program and re-allocate expenditure depending upon a variety of factors including availability of contractor to fly gravity, negotiations with Native Title Parties and environmental approvals. See Section 4.2(c) relating to the risks around the Proposed Work Program.

⁽²⁾ The Directors reserve the right to allocate funds to the most appropriate seismic program based on geological information available at the time. This may also include 2D seismic on EPA 82 if this application is granted within the Proposed Work Program time frame.

⁽³⁾ UIL Energy is the preferred applicant for SPA 26 and SPA 40. See Sections 2.5 and 9 for further details regarding the SPAs.

1.7 OUTLOOK FOR KEY PRODUCT MARKETS

UIL Energy has commissioned ACIL Allen Consulting to prepare a study of the Western Australian gas market and the opportunities that it may present for new gas producers. The report is included in Section 3.

1.8 SUMMARY OF KEY RISKS

Potential investors should be aware that there are risks associated with investing in UIL Energy. Certain risks are beyond the control of UIL Energy and its Directors and management and may have a material impact on UIL Energy's future operating and financial performance, and/or the financial position of UIL Energy, its prospects and/or the value of the New Shares. Before investing, prospective investors are advised to consider the risk elements, the most significant of which are summarised below and described in greater detail in Section 4.

(A) FINANCING, FUTURE CAPITAL NEEDS AND ADDITIONAL FUNDING RISK

UIL Energy will require further capital in the future to continue its activities and facilitate growth.

As set out in Section 1.6 the Company's Proposed Work Program will ensure that UIL Energy has sufficient funds to satisfy the minimum expenditure requirements applying to EP 488 and EP 489 for the duration of the 15 month Proposed Work Program.

Should the Company decide to drill the EP 447 well, the Company may need to raise additional funds during the 15 month duration of the Proposed Work Program to meet the costs associated with drilling the well or otherwise seek other alternatives to fund this well in order to satisfy the minimum expenditure requirements applying to EP 447 to keep the asset in good standing. Otherwise, the Company would require approval from the Department for a time extension to drill the well. There is no guarantee such an extension would be granted.

The Company may also elect not to fund the minimum expenditure commitments on permits for a variety of reasons including as a result of preliminary exploration activities.

Beyond this, to keep the Permits in good standing and to fund additional exploration the Company will also require additional capital. The minimum expenditure commitments for each of the Permits beyond the 15 month Proposed Work Program are set out in Appendix 2 of the Independent Geologist's Report.

There can be no assurance that any such capital, whether by way of debt, equity or third party farm-in arrangement will be available to UIL Energy on reasonable terms or at all. Failure to obtain appropriate financing on a timely basis or on reasonable terms may result in the Company losing business opportunities, having to relinquish Permits, or incurring excessive funding costs through the utilisation of last resort funding solutions. If UIL Energy raises additional

funds through the issue of equity securities, this may result in dilution to existing shareholders.

(B) EXPLORATION AND DEVELOPMENT

UIL Energy is engaged in oil and gas exploration and development which is inherently highly speculative and involves a significant degree of risk. There can be no assurance that UIL Energy's planned exploration, appraisal and development activities will be successful, or if oil or gas resources are identified, that it will be economic to extract these resources.

In respect of the Company's unconventional targets, the nature of those targets will require testing of various completion methods, including fracture stimulation. There is a risk that these completion methods may not prove to be economically viable.

The proposed exploration and future drilling program could experience cost overruns that reduce the Company's ability to complete the planned exploration and future drilling program in the time expected.

(C) PROPOSED WORK PROGRAM

Whilst the Proposed Work Program reflects the Company's current intentions, the actual work undertaken by the Company will depend upon a number of factors or may be subject to certain pre-conditions including availability of contractor to fly gravity, negotiations with Native Title Parties and environmental approvals.

Any failure to adequately overcome these factors or preconditions may result in the Company reallocating expenditure under the Proposed Work Program to other Permits.

(D) CONTRACTUAL RISK

The Company is a party to a number of contracts including those listed in Section 11. In particular the Company's interest in EP 447 is by virtue of a farm-in agreement under which the Company earned its existing 50% interest and the joint venture is currently managed and funded. There exists a risk that any potential dispute or disagreement with any of the counterparties to these contracts may disrupt, delay or prevent the conduct of the Company's operations, which may have a material adverse effect on the Company's prospects.

(E) HYDRAULIC FRACTURING

UIL Energy will be targeting both conventional and unconventional oil and gas. The Company believes the larger opportunity is delineating and de-risking unconventional resources. These plays imply that the reservoirs cover large areas and will require stimulation and the use of hydraulic fracturing, perhaps with multiple stages; and in some cases, the drilling and stimulation from multilaterals. The enactment of any new laws, regulations or requirements by any relevant government authority in respect of hydraulic fracturing could result in operational delays, increased operational costs and

potential claims from a third party or governmental authority. Any restrictions or prohibitions on the use of hydraulic fracturing may also reduce the amount of oil and gas UIL Energy can produce and may have a material impact on UIL Energy's business.

(F) ENVIRONMENTAL

UIL Energy is subject to environmental regulation pursuant to a variety of State and Federal laws and regulations. Environmental compliance with these regulations can require significant expenditure and a breach may result in substantial financial liability for UIL Energy. The Company intends to minimise these risks by conducting its activities in an environmentally responsible manner.

(G) OPERATIONAL

Oil and gas exploration and development activities involve a wide range of operational risks including encountering unusual or unexpected geological formations, mechanical breakdowns or failures, human errors and other unexpected events which occur in the process of drilling and operating oil and gas wells. The occurrence of any of these risks could result in substantial financial losses to UIL Energy in a number of different ways. Whilst the Directors will endeavour to anticipate, identify and manage the risks inherent in the activities of the Company, with the aim of eliminating, avoiding and mitigating the impact of such, no assurance can be given that the Directors will be successful in these endeavours.

UIL Energy has limited prior operating history and there can be no assurances that it will be able to commission or sustain successful operation of its projects.

(H) CULTURAL HERITAGE AND ABORIGINAL SITES OF SIGNIFICANCE

Legislation in Australia and overseas typically allows for the protection of the cultural heritage of both indigenous peoples and later settlers. A failure to comply with Aboriginal cultural heritage legislation may amount to a criminal offence carrying penalties of imprisonment and monetary fines.

One way to address Aboriginal cultural heritage is to enter into an agreement with the relevant Native Title Party (commonly called a Heritage Protection Agreement (HPA) or a Petroleum Access & Heritage Agreement (PAHA)). There is a HPA in place for EP 488 and EP 489. There is also a HPA in place for EP 447 however neither UIL Energy or the co-owner of the Permit are currently a party to the HPA and the HPA will either need to be assigned to the Company or the co-owner of EP 447 or a new HPA negotiated.

In respect of the two applications for Special Prospecting Authorities (SPA), there are PAHAs in place where UIL Energy is a party to the PAHAs. UIL Energy is negotiating agreements for the four Exploration Permit Applications (EPA) containing clauses regarding the protection of Aboriginal heritage and the carrying out of heritage clearance surveys with the

respective Native Title Parties as part of its compliance with the native title procedures for the grant of the permit.

Any refusal or delay in obtaining the necessary approvals or heritage survey clearances from the Native Titles Parties or having the HPA for EP 447 assigned to the Company may result in a delay or departure from the Company's Proposed Work Program and may have a material impact on UIL Energy's business.

There remains a risk that sites of cultural significance may exist that may overlay an economic hydrocarbon resource which ultimately may not be able to be accessed by the Company.

(I) PERMIT APPLICATION

UIL Energy has four EPAs and two applications SPAs currently outstanding with the Western Australian government authorities. Upon the SPAs being granted, the Company may seek to convert the SPAs to EPAs. There is no guarantee that the Company's EPAs or SPAs will be granted or that any SPAs will convert to Exploration Permits (EP), or if granted or converted, will be over the desired portion or on terms that are favourable to the Company. If any of the EPAs or SPAs are not granted, UIL Energy will not be authorised to explore for oil and gas in the areas comprised in those EPAs and SPAs, which may have a materially adverse effect on the future profitability of the Company.

(J) COMMERCIALISATION AND INFRASTRUCTURE ACCESS

UIL Energy's potential future earnings, profitability, and growth are likely to be dependent upon UIL Energy being able to successfully implement some or all of its commercialisation plans detailed in Section 2. The ability for UIL Energy to do so is further dependent upon a number of factors, including matters which may be beyond the control of UIL Energy such as successfully securing identified customers or market opportunities. Any inability or delay in the Company implementing its strategy may have a material adverse effect on UIL Energy's future profitability.

(K) TITLE AND LAND ACCESS

UIL Energy requires land access in order to perform exploration and development activities, which can be affected by land ownership and require related compensation arrangements with landowners or occupiers. Any landowner issues encountered when entering into these arrangements has the potential to delay or curtail operations.

(L) NATIVE TITLE

UIL Energy must comply with the procedures under the Native Title Act prior to the grant of the EPAs and SPAs. UIL Energy is currently working through these processes.

The progression, administration and if required determination of native title issues may have a material adverse impact on the position of UIL Energy and its business, in terms of both accessing the land the subject of the EP and SPA applications and costs and delays.

(M) EXPLORATION WORK PROGRAM COMMITMENTS

There is a risk that where the terms of the Permits are not complied with, the Minister may exercise his discretion to cancel the Permit or not renew the Permit.

1.9 CAPITAL STRUCTURE

Upon completion of the Offer and allotment of New Shares and New Options pursuant to this Prospectus, UIL Energy's capital structure will be as set out in the following table.

Table 3: Securities or	able 3: Securities on Issue upon completion of the Offer							
	PRE-OFFER POST-OFFER							
			MINIML	JM SUBSCF	RIPTION	MAXIMI	JM SUBSC	RIPTION
SHAREHOLDER	SHARES	%	SHARES	%	OPTIONS	SHARES	%	OPTIONS
Simon Hickey and associated entities ^{1,2}	18,199,044	20.92	18,199,044	16.85	2,842,075	18,199,044	15.55	2,842,075
John de Stefani and associated entities ^{1,2}	9,496,921	10.92	9,496,921	8.79	4,223,400	9,496,921	8.12	4,223,400
Stephen Bizzell and associated entities ^{1,2,3,4}	7,478,258	8.59	7,478,258	6.92	4,223,400	7,478,258	6.39	4,223,400
Keith Skipper ^{1,2}	_	_	_	_	500,000	_	_	500,000
Other Existing Investors ^{1,2}	51,833,532	59.57	51,833,532	47.99	9,906,500	51,833,532	44.30	9,906,500
New Shareholders ^{5,6,7}	n/a	n/a	21,000,000	19.45	14,700,000	30,000,000	25.64	21,000,000
Total ^{7,8}	87,007,755	100%	108,007,755	100%	36,395,375	117,007,755	100%	42,695,375

⁽¹⁾ Certain securities held by the Directors and by some of the other Existing Investors will be treated as restricted securities under the ASX Listing Rules. In addition 21,590,750 Shares held by these parties are subject to voluntary restriction agreements. The effect of the restrictions is that these securities will be unable to be sold or otherwise dealt with for periods of between six months and 24 months from Listing. See Section 5.19 for further details.

 $^{(2) \ \ \}textit{Excludes any Shares that may be subscribed for by Directors and Other Existing Investors under the Offer.}$

⁽³⁾ Includes 1,000,000 Options to be issued to Bizzell Capital Partners (an entity related to Stephen Bizzell) in connection with the Corporate Advisory Services Agreement. See Section 11.3 for further details.

⁽⁴⁾ Excludes 500,000 Options offered to Stephen Bizzell in connection with his appointment as Non-Executive Director. These Options have been offered subject to obtaining Shareholder approval under Part 2E of the Corporations Act at the next AGM of the Company. See Section 12.6(d) for further details.

⁽⁵⁾ Includes the anticipated grant of between 4,200,000 and 6,000,000 Options to the Lead Manager based on the Lead Manager raising the Minimum Subscription and Completion of the Offer, as described in Section 11.2.

⁽⁶⁾ Includes the anticipated grant of between 10,500,000 and 15,000,000 New Options to New Shareholders based on the Company raising the Minimum Subscription and Completion of the Offer. The terms of the New Options are described in Section 12.2.

⁽⁷⁾ Excludes any Piggy-Back Options. Further details regarding the Piggy-Back Options are described in Sections 5.3 and 12.3.

 $^{(8) \ \ \}textit{Excludes the 1,000,000 Performance Rights on issue. Further details regarding the Performance Rights on issue are described in Section 6.5.$

1.10 KEY TERMS AND CONDITIONS OF THE OFFER

QUESTION	ANSWER	RELEVANT SECTION
Who is the issuer of this Prospectus?	UIL Energy.	Section 1.1
What is the Offer?	The Offer is an initial public offering in Australia and New Zealand of between 21,000,000 and 30,000,000 New Shares at \$0.20 per New Share. For every 2 New Shares subscribed for and issued, investors will be issued 1 free attaching New Option exercisable at \$0.20 on or before 31 December 2015. Each New Option is exercisable into 1 Share and 1 free Piggy-Back Option.	Section 5
What is the purpose of the Offer?	UIL Energy intends to fund its initial exploration activities from the proceeds of the Offer as set out in Sections 1.4 to 1.6.	Sections 1.4 to 1.6
	The proceeds of the Offer will also be used to pay for the costs of the Offer and any other obligations of UIL Energy to be paid on completion of the Offer (net of tax refunds and deductions) and provide working capital.	
Will the Shares be listed?	UIL Energy will apply for admission to the official list of the ASX and quotation of Shares on the ASX. Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. Neither UIL Energy nor its Shares will be listed on the New Zealand Stock Exchange.	Section 5.14
What are Piggy-Back Options?	Piggy-Back Options are free Options that will be issued to investors on the exercise of New Options. For every 1 New Option exercised, investors will be issued 1 Share and 1 Piggy-Back Option exercisable at \$0.24 on or before 31 December 2018 on the terms set out in Sections 5.3 and 12.3.	Sections 5.3 and 12.3
How is the Offer structured?	The Offer comprises the Retail Offer and the Institutional Offer.	Section 5.10
How can I apply?	Details of how you may apply for New Shares under the Offer are described in Section 5.	Section 5
What is the allocation policy?	UIL Energy, in consultation with the Lead Manager, have discretion regarding the allocation of New Shares between the Retail Offer and the Institutional Offer and may reject any Application, or allocate a lesser amount of New Shares than those applied for, in its absolute discretion.	Sections 5.11 and 5.12
When will I receive confirmation that my Application has been successful?	It is expected that initial holding statements will be dispatched by standard post on or around 22 September 2014.	Key Dates (see also Section 5.11)
ls there brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of New Shares under the Offer.	
What are the tax implications of investing in the New Shares?	Shareholders may be subject to Australian tax on any future dividends paid and capital gains if Shares are sold. The tax consequences of any investment in the New Shares will depend upon an investor's particular circumstances, particularly for non-resident Shareholders. Applicants should obtain their own tax advice prior to deciding whether to invest.	Section 5

QUESTION	ANSWER	RELEVANT SECTION
Where can I find more information about this Prospectus or the Offer?	If you are unclear in relation to any matter or are uncertain as to whether UIL Energy is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.	Section 5
Can the Offer be withdrawn?	UIL Energy reserves the right not to proceed with the Offer at any time before the issue of New Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded by the Registry, your Broker, or the Company.	Section 5
	No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.	

1.11 KEY OFFER STATISTICS

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Offer Price per New Share	\$0.20	\$0.20
New Shares available under the Offer	21,000,000	30,000,000
New Options available under the Offer¹	10,500,000	15,000,000
Shares on issue prior to the Offer ²	87,007,755	87,007,755
Anticipated percentage of Pre-Offer Shares to be escrowed ³	60%	60%
Options on issue prior to the Offer ⁴	9,900,000	9,900,000
Total issued Shares on completion of the Offer ²	108,007,755	117,007,755
Total Options on issue on completion of the Offer ^{5,6}	36,395,375	42,695,375
Capitalisation of Shares at the Offer Price	\$21.6 million	\$23.4 million
Estimated cash on completion of the Offer (before Offer costs)	\$4.4 million	\$6.2 million
Enterprise value at the Offer Price	\$17.2 million	\$17.2 million

⁽¹⁾ A New Option will be issued for every two New Shares issued under the Offer. The terms of the New Options are set out in Section 12.2.

⁽²⁾ Excludes any Performance Rights on issue. Further details regarding the Performance Rights on issue are set out in Section 6.5.

⁽³⁾ There are 87,007,755 Shares on issue prior to the Offer. Of these the Company anticipates approximately 30,487,678 Shares (35% of Pre-Offer Shares) will be subject to ASX mandatory escrow on completion of the Offer. In addition 21,590,750 Shares (25% Pre-Offer Shares) are subject to voluntary escrow as described in Section 5.19. Further details with respect to escrow are set out in Section 5.19.

⁽⁴⁾ Details of the Options on issue are set out in Section 12.2.

⁽⁵⁾ Includes the anticipated grant of between 4,200,000 and 6,000,000 Options to the Lead Manager based on the Lead Manager raising the Minimum Subscription, as described in Section 11.2 and includes 1,000,000 Options to be issued to Bizzell Capital Partners (an entity related to Stephen Bizzell) in connection with the Corporate Advisory Services Agreement as described in Section 11.3.

⁽⁶⁾ Excludes any Piggy-Back Options issued on exercise of New Options. Further details regarding the Piggy-Back Options are described in Sections 5.3 and 12.3.

1.12 BOARD AND MANAGEMENT EXPERIENCE AND EXPERTISE

Simon Hickey	+ Founder of UIL Energy
(Chairman)	+ 20 years experience in resource projects in Australia, North America and Asia
	+ Previous Director of several ASX and TSX listed companies
	+ Bachelor of Commerce; Graduate Diploma of Applied Finance and Investment
John de Stefani	+ Senior executive experience with several energy and power companies
(Managing Director)	+ CEO of Bow Energy during its growth phase from a market capitalisation of \$50 million to \$550 million, before being acquired by Arrow Energy
	+ Bachelor of Business; MBA, London Business School
Stephen Bizzell (Non-Executive Director)	+ Over 20 years' corporate finance and public company management experience in the energy and resources sector in Australia and Canada
	+ Former director of Arrow Energy and Bow Energy prior to their \$3.5 billion and \$550 million takeovers respectively
	+ Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd
	+ Currently Non-executive Director of Armour Energy Ltd, Titan Energy Services Ltd, Stanmore Coal Ltd and Queensland Treasury Corporation as well as other listed and unlisted companies
Keith Skipper (Non-Executive Director)	+ Company executive and director with over 40 years of diverse experiences in the global petroleum industry in technical and executive leadership with major and independent oil and gas companies
	+ B.Sc. (Hons) in Geology from University of Reading (U.K.)
	+ M.Sc. (Geology) from McMaster University (Ontario, Canada)
	+ Currently a Non-executive director of Samson Oil and Gas Ltd and a director of other unlisted companies in Australia and Canada
Vic Palanyk (Chief Operating Officer)	+ Senior executive with more than 35 years experience in the resources industry. Over 20 years experience in all facets of unconventional petroleum including coal seam gas (CSG), shale oil/gas and heavy oil
	+ Chief Operating Officer of Bow Energy Ltd until its sale to Arrow Energy
	+ B.Sc (Specialization) Geology from University of Alberta (Canada)
Duncan Cornish	+ Accomplished and highly regarded corporate administrator
(CFO and Co-Company Secretary)	+ Significant experience in pivotal management roles in capital raisings and stock exchang listings for numerous companies on ASX, the AIM component of the LSE, and TSX
	+ Currently Company Secretary and CFO of other listed companies on ASX and TSX-V
Drew Speedy (Financial Controller and	+ 13 years experience in finance roles within the resources industry predominately within ASX listed upstream Oil and Gas companies including Bow Energy, Blue Energy and QGC
Co-Company Secretary)	+ Financial Controller of Bow Energy Ltd until its sale to Arrow Energy
	+ Bachelor of Business, CPA and Governance Institute of Australia

1.13 SIGNIFICANT INTERESTS OF KEY PEOPLE AND RELATED PARTY TRANSACTIONS

Information pertaining to Directors' interests in UIL Energy's Shares, Options and Performance Rights is outlined in Section 6.8.

At the date of this Prospectus, Directors and their associated entities hold in aggregate 35,174,223 Shares (approximately 40% of the Shares on issue prior to the Offer) which have been acquired over time through a variety of transactions. For more details see Sections 1.9 and 6.8.

Since incorporation, the Company has entered into a number of transactions with related parties which have either been approved by Shareholders at a general meeting or fallen within an exception under Chapter 2E of the Corporations Act and have not required Shareholder approval. The transactions, set out in detail in Section 12.6, include the following:

- (a) Acquisition of interest in EP 447 Farm-in Agreement from Jaldale Pty Ltd, a related party of Simon Hickey;
- (b) Placements and convertible note issues to associated entities of John de Stefani and Simon Hickey as part of funds provided to the Company including underwriting commitments;
- (c) Issue of Options and Performance Rights to certain Directors:
- (d) Issue of Shares to John de Stefani and Simon Hickey (including his related entities) as part consideration for accrued but unpaid wages and/or consulting fees; and
- (e) Entry into an underwriting agreement and loan arrangement with Bizzell Capital Partners Pty Ltd (BCP) (an entity associated with Stephen Bizzell) on or about 10 December 2013 pursuant to which BCP was issued convertible notes which have converted into Shares, and was paid a commercial underwriting fee. BCP was not however, a related party at the time the underwriting and loan arrangement were entered into.

The Offer will be managed by the Corporate Advisor, a company associated with Stephen Bizzell, a Director of the Company. Upon successful completion of the Offer, the Corporate Advisor will be entitled to a cash fee of 1.0% of the total amount raised under the Offer and the issue of 1,000,000 Options to the Corporate Advisor or its nominee with an exercise price of 20% above the Offer price and an expiry date of 31 December 2018. The Corporate Advisor will also be entitled to a cash fee of 4.0% of the total amount raised from clients of the Corporate Advisor and parties introduced by the Corporate Advisor under the Offer.

1.14 FINANCIAL POSITION

UIL Energy's present financial position and its financial position after completion of the Offer is set out in Section 7.

1.15 DIVIDEND POLICY

It is the present intention of the Directors to apply surplus cash flow to fund the exploration of UIL Energy's project portfolio and any resultant development or production and generate new opportunities, rather than distributing this money in the form of dividends.

It is the Directors' intention to review this policy from time to time and commence the payment of a regular dividend once UIL Energy is able to generate a substantial and sustainable level of cash flow, after allowing for capital expenditure and other commitments.

The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by UIL Energy. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of UIL Energy.



2. COMPANY AND ASSETS OVERVIEW

2.1 COMPANY PROFILE

(A) HISTORY AND BACKGROUND

UIL Energy was established in September 2011 to focus on oil and gas opportunities in Australia, specifically targeting proven hydrocarbon basins, supported by nearby pipeline infrastructure and robust gas pricing. These key objectives underpinned the Company's focus on Western Australia.

Initially, UIL Energy acquired a Permit interest in the Perth Basin (EP 447). Following this, the Company sought to increase its presence in the areas via the acquisition of contiguous Permits (EP 488 and EP 489). In 2012 UIL Energy opportunistically secured ground in the Canning Basin through SPA 26 and SPA 40 and in 2013 expanded the Canning Basin holding by securing EPA 97 via competitive bid. In 2013 UIL Energy also secured, via competitive bid, further contiguous Permits EPA 98 and EPA 99, adjacent to EPA 82, in the Perth Basin.

UIL Energy has built a strong management team with the key appointments of John de Stefani as Managing Director and Vic Palanyk as COO, both formerly in the equivalent roles at Bow Energy. UIL Energy's experienced management team is well placed to maximise shareholder value through the exploration and development phases of the Company's assets.

(B) KEY STRENGTHS

UIL Energy's strategy and business model is to realise potential value for Shareholders by exploring and developing conventional and unconventional oil and gas plays in Western Australia. The Company believes that the following combination of strengths will enable it to implement its strategy:

(1) **Key acreage in proven hydrocarbon basins.** The Perth and Canning Basins are all recognised petroleum basins with a history of commercial production. The Perth Basin is one of the most productive onshore petroleum basins in Australia.

- (2) High percentage interest in Permits. UIL Energy's strategy is to hold high percentage interests in Permits to maximise the Company's options for exploring and developing its projects.
- (3) Nearby pipeline infrastructure. It is important that the resources which the Company is seeking to identify are not stranded, thereby requiring significant capital to commercialise. UIL Energy's Permits in the Perth Basin have either a pipeline running through the permit or are in close proximity.
- (4) Attractive gas market dynamics. The Western Australia gas market is the largest domestic market in Australia and is projected to continue to grow. In addition, the Western Australia gas market is supply-constrained, and is projected to remain so until at least 2030. Prices are currently around \$8/GJ and estimated to increase in real terms to around \$12/GJ in 20 years.²
- (5) Proven Board and management team. UIL Energy's Board and senior management team have extensive experience and expertise in the petroleum and broader resources industries.

For further details on the Board and management, see Section 6.

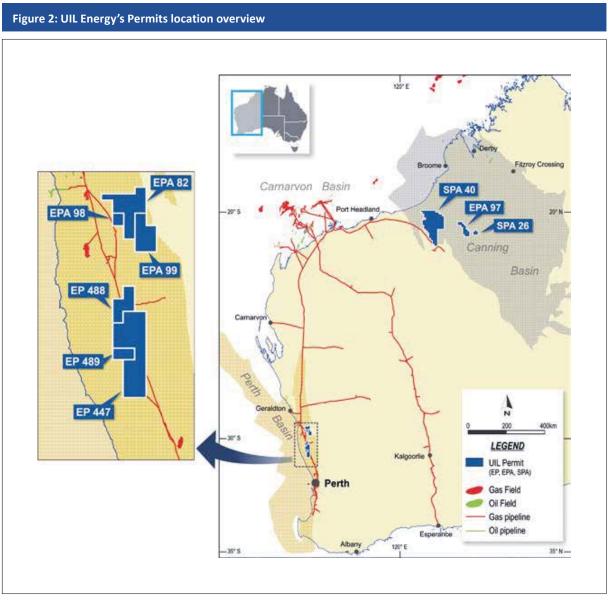
2.2 OVERVIEW OF COMPANY'S ASSET PORTFOLIO

In the Perth Basin the Company holds 100% interests in EP 488 and EP 489, along with a 50% interest in EP 447.

In addition, UIL Energy has four Exploration Permit Applications (EPAs) and two applications for Special Prospecting Authorities (SPAs). Across the Perth and Canning Basins, UIL Energy's Permits cover approximately 17,702 gross km² (4,374,164 gross acres).

Table 4: UIL Energy permit summary						
BASIN	PERMIT	OPERATOR	UIL INTEREST	PERMIT AREA (GROSS KM²)	PERMIT AREA (GROSS ACRES)	
Perth	EP 447	UIL	50%	1,108	273,787	
	EP 488	UIL	100%	296	73,142	
	EP 489	UIL	100%	148	36,571	
	EPA 82	UIL	100%	559	138,129	
	EPA 98	UIL	100%	75	18,533	
	EPA 99	UIL	100%	372	91,921	
Canning	EPA 97	UIL	100%	2,080	513,968	
	SPA 40	UIL	100%	12,504	3,089,738	
	SPA 26	UIL	100%	560	138,376	
Total				17,702	4,374,164	

 $Note: \textit{UIL Energy is the preferred applicant for SPA 26 and SPA 40. See Sections 2.5 and 9 for further details regarding the \textit{SPAS}.}$



Note: UIL Energy is the preferred applicant for SPA 26 and SPA 40. See Sections 2.5 and 9 for further details regarding the SPAs.

2.3 STATUS OF PERMITS

The Company has an interest in three granted EPs (EP 447, EP 488 and EP 489), in respect of which the bulk of the Proposed Work Program relates. Further details on UIL Energy's interests in these EPs are set out in Sections 2.2 and 9.

In addition, the Company has an interest in a number of EPAs and accepted applications for SPAs, which are in varying stages of the application process with the Western Australian DMP. UIL Energy has been notified by the DMP that it is the preferred and accepted applicant for these EPAs and SPAs. Certain compliance matters, such as Native Title Clearance and relevant environmental approvals must be satisfied prior to the EPAs and applications for SPAs being granted.

2.4 REGIONAL RESULTS REFERRED TO IN SECTION 2

The nature of oil and gas exploration involves, invariably, an assessment to be made of the geological prospectivity of the region in which the relevant permits or prospects are located.

The Company has been successful in securing interests in Permits in known oil and gas basins in Western Australia. Section 2.5 contains a synopsis of the Company's view of the geological setting and prospectivity of the Company's Permits. Additional information is contained in the Independent Geologist's Report contained in Section 8.

Investors should note that references to drilling or other results on Permits which are in close proximity to or within the same formations (and not owned by the Company) are provided for reference only as to the regional geological prospectivity. There is no guarantee that such results will be able to be replicated on the Company's Permits.

2.5 DETAILED OVERVIEW OF THE COMPANY'S EXPLORATION PORTFOLIO

PERTH BASIN

Basin overview

The Perth Basin is an elongated north-south trending rift basin situated onshore and offshore of Western Australia. It covers an area of approximately 170,000 km². The basin contains oil, gas and gas fields with associated condensate. Historic exploration has been focused on discovering conventional oil, gas and gas fields with associated condensate. Exploration focus onshore has been on the shallower, structurally more complex parts of the basin.

Geological setting

Known petroleum source rocks within UIL Energy's Permits include the Jurassic aged Cattamarra Coal Measures, the lower-Triassic aged Kockatea Shale and the early Permian aged Carynginia Formation.

The Cattamarra Coal Measures (CCM) is a known source sequence for gas and gas associated condensate in the northern Perth Basin. It is thought to be the source for the Walyering, Warro, Red Gully/Gingin gas and gas associated condensate fields in the EP 447 area. The CCM is interpreted to be prospective within UIL Energy's Permits for both conventional plays and as a potential large continuous basin centred gas accumulation (BCGA).

The Kockatea Shale is one of the main oil source rocks in the northern Perth Basin. It is recognized as having the geological properties appropriate for the production of oil and gas once subjected to stimulation techniques. Initial evaluation has been conducted by Australian Worldwide Exploration Limited (AWE) and Norwest Energy (Norwest). AWE and Norwest have stimulated a 50 metre interval of the Lower Kockatea Shale in a vertical well located approximately 20 km west of EPA 82. The zone flowed at an average rate of 200 Mcfpd over a two-day period and produced approximately 22 barrels of oil during clean-up.³ The Kockatea Shale occurs at appropriate depths in EPA 82 and EPA 98.

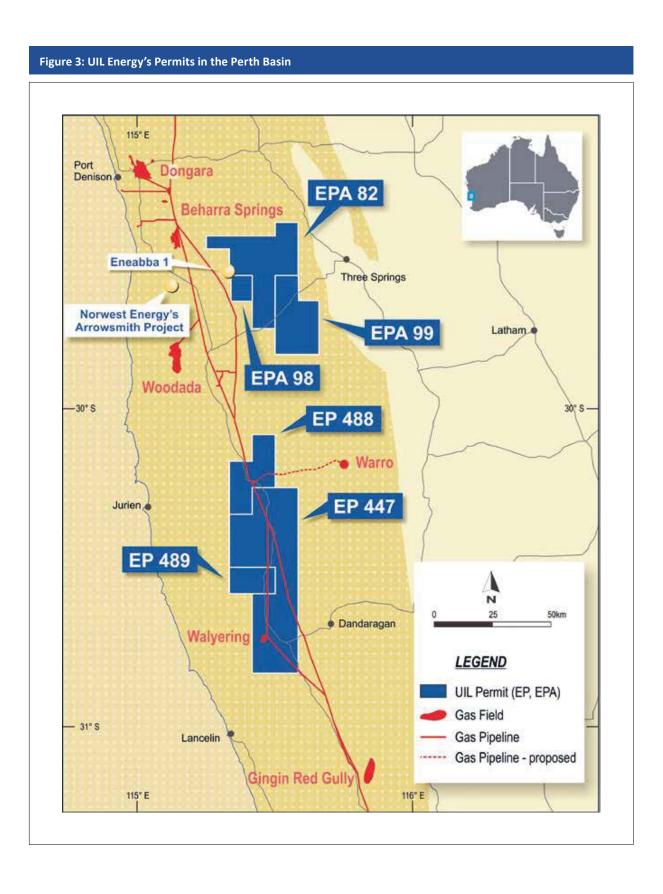
The Carynginia Formation is characterised by interbedded sandstone and siltstone, and is interpreted to be gas-prone such that commercial flows of natural gas may be possible once the formation is satisfactorily stimulated. It is interpreted to be prospective in the western part of EPA 82 and EPA 98 where it is indicated to be at depths greater than 4,000 metres. AWE and Norwest stimulated the Carynginia Formation in a vertical well located approximately 20 km west of EPA 82. The well flowed at an initial rate of 350 Mcfpd³. A comparable Carynginia Formation was intersected in the Eneabba-1 well³ (drilled in the 1970s) within 1 km of EPA 82. The Carynginia Formation is interpreted to be prospective for gas at appropriate depths within EPA 82 and EPA 98.

UIL Energy project portfolio

UIL Energy has secured Permits on the western flank of the Dandaragan Trough within the Perth Basin. UIL Energy's Permits include EP 447, EP 488, EP 489, EPA 82, EPA 98 and EPA 99.

These Permit locations are on trend with previous conventional discoveries in complex structures. Seismic interpretation indicates that the structuring is less complex in the Dandarangan Trough, which may, favour unconventional plays. Historic well data in the Dandaragan Trough suggests more favourable geological and reservoir characteristics, including overpressure, exist for a much larger continuous gas accumulation (a Basin Centred Gas Accumulation) at drilling depths below 3,800 metres. In combination with its exploration potential, the Dampier to Bunbury gas pipeline and the Parmelia pipeline spur runs, close to or, through UIL Energy's Permits in the Perth Basin.

^{3.} Not an asset of UIL Energy. Investors should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL Energy's Permits.



EP 447, EP 488 and EP 489

Project Highlights

- (a) Permits within the proven oil, gas and gas associated condensate rich Perth Basin.
- (b) Historic Walvering gas field in the south of EP 447.
- (c) Targeting oil, gas and gas associated condensate.
- (d) Large Basin Centred Gas Accumulation potential.
- (e) Exploration potential for Kockatea Shale play on western fringe of permits.
- (f) Major gas pipelines run through all Permits.

Project Summary

With the Perth Basin being a known petroleum producing region, UIL Energy undertook a review of conventional and unconventional petroleum potential of the southern portion of the onshore Perth Basin, along the margins of, and within the Dandaragan Trough.

Conventional potential has been known since 1971, when the Walyering-1 well discovered gas. Subsequent wells in the field confirmed complex geology, but also indicated that deep unconventional potential might exist. UIL Energy and its consultants analysed this data further and confirmed that over-pressuring appears to be occurring in the depths of the Dandaragan Trough. Over-pressuring and associated gas flows are key ingredients of Basin Centred Gas Accumulations. These accumulations tend to be laterally extensive and can be very large.

On identifying this potential, UIL Energy set out to secure an interest in EP 447 and was successful in growing a contiguous permit position by bidding for and being notified as the preferred bidder by the DMP for permits that are now granted, EP 488 and EP 489.

An independent geological assessment by McDaniel & Associates of the Basin Centred Gas Accumulation, encompassing only parts of EP 447, EP 488 and EP 489, led to an initial definition of Prospective Resources covering the Cattamarra Coal Measures. This is outlined in Table 5 below.

Table 5: Cattamarra Coal Measures Prospective
Resources across the Company's Permits in the
Perth Basin

UNRISKED PROSPECTIVE
RESOURCE (BCF)^{1,2,3}
LOW BEST HIGH

EP 447/EP 488/EP 489
69
328
1,450

- (1) The estimated quantities of petroleum that may be potentially recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated chance 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) These are partially risked Prospective Resources that have been risked for chance of discovery, but have not been risked for chance of development.
- (3) Further information regarding the Prospective Resources for the Company's Permits is set out in Section 1.1 of the Independent Geologist's Report.

Proposed Work Program

UIL Energy will carry out preliminary planning and approvals to undertake seismic work over EP 488 and EP 489 in late 2014. The seismic is scheduled to be shot in the first half of 2015.

UIL Energy will also carry out further geological and technical reviews of EP 447 in preparation for the drilling commitment of a well to test the unconventional potential of the overpressured sections of the Cattamarra Coal Measures.

Commercialisation Plan

On initial discovery of gas and condensate, UIL Energy could build appropriate facilities to strip any condensate from the gas stream and then: (i) truck the condensate to Perth; and (ii) connect to either of the gas pipelines which traverse EP 447.

EPA 82, EPA 98 and EPA 99 (100% interest)

Project Highlights

- (a) Permits within the proven oil, gas and gas associated condensate rich Perth Basin.
- (b) Eneabba-1 well (located approximately 100 metres west of EPA 82) previously had a strong initial flow of wet gas from the Kockatea Shale.⁴
- (c) Conventional and unconventional potential.
- (d) EPA 82 and EPA 98 contain the Kockatea Shale and Carynginia Formation which have proved to be prospective in the Arrowsmith-2 well project area operated by Norwest Energy Ltd.⁴
- (e) EPA 99, in the Dandaragan Trough may contain Cattamarra Coal Measures basin centred gas accumulation potential similar to EP 447
- (f) Major gas pipeline 25 km to west of these Permits.

Project Summary

In addition to the potential of the Cattamarra Coal Measures in the Dandaragan Trough, UIL Energy believes that the Kockatea Shale and Carynginia Formation hold significant oil, gas and gas associated condensate potential. The Kockatea Shale is one of the main oil source rocks in the northern part of the Perth Basin, while the Carynginia Formation contains gas prone sands and silts.

UIL Energy identified a prospective location for these formations to occur, which was within the areas covered by EPA 82 and EPA 98. As a result, the Company tendered for and was awarded these Permits. The Arrowsmith-2 well operated by Norwest Energy, was fracture stimulated in the same sequence, and all zones flowed hydrocarbons which reinforces the potential of these formations.⁴

Further geological interpretation work by UIL Energy confirmed that the Kockatea Shale and the Carynginia

4. Not an asset of the UIL Energy. Investors should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL Energy's permits.

Formation exist in the Eneabba-1 well⁵ drilled within 100 metres of the western border of EPA 82. These formations are interpreted to also exist in EPA 98. The Cattamarra Coal Measures are interpreted to occur in EPA 99.

Proposed Work Program

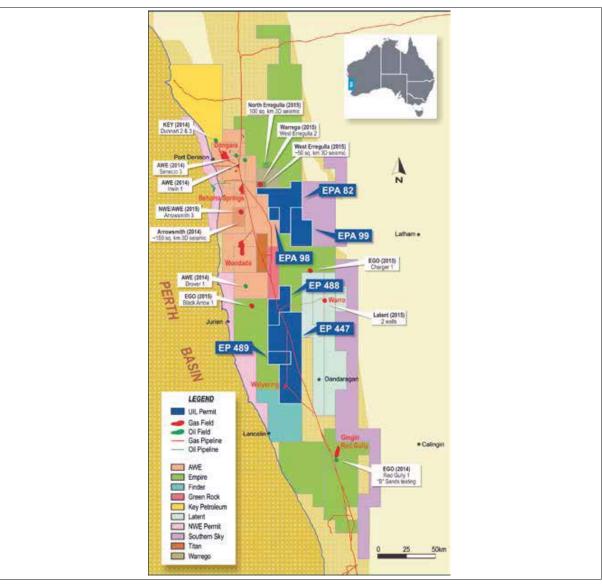
UIL Energy is currently undertaking Native Title negotiations regarding EPA 82, EPA 98 and EPA 99. The Company also plans to commission an independent assessment of the resource potential of the Permits, and to undertake preliminary planning for the initial work program including a well.

Perth Basin Competitor Activities

The Perth Basin contains a consortium of small to medium sized operators actively exploring, appraising and developing both conventional and unconventional petroleum plays across multiple targeted geological formations and provinces.

An indicative exploration and appraisal activities summary of the Perth Basin for the remainder of 2014 and through 2015 is shown in Figure 4: Perth Basin Industry Activities below, which show UIL Energy's Perth Basin permits to be favourably located to leverage off successes and key learnings as a result of the exploration activities.





^{5.} Not an asset of the UIL Energy. Investors should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL Energy's permits.

A significant milestone on track to proving up the unconventional prospectivity of the Perth Basin was accomplished in 2013 and 2014 by Australian Worldwide Exploration Limited (AWE) and Norwest Energy (Norwest) at Arrowsmith 2 with moveable hydrocarbons demonstrated on production test. Their proposed follow up activities for the remainder of 2014 and through 2015 looks to de-risk and advance the play to demonstrating commerciality via acquisition of 3D seismic to assist with locating a subsequent horizontal well, Arrowsmith 3, in 2015.

In addition Australian Worldwide Exploration Limited (AWE) plans to drill three additional unconventional wells; Drover 1, Senecio 3 and Irwin or Synaphea to target the same Permian sequence. The Drover 1 well was drilled by AWE during July 2014 and intersected all targeted formations including the Kockatea and Carynginia Shales, Irwin Coal Measures and High Cliff Sandstone.

To the southeast of EP 447, Empire Oil & Gas has enhanced the gas and associated condensate recovery from the Cattamarra Coal Measures sands at Red Gully 1 with the perforation and testing of the "B" Sands, situated above the producing "D" Sands. Initial flow-testing, of the "B" Sand delivered 9.9 million cubic feet per day along with initial condensate flows of 595 barrels per day. Testing will continue for a further six to nine months.

On 25 February 2014, Warrego Energy Ltd agreed a farmout with Dutch businesses Dyas BV and Mazarine Energy BV to appraise and develop the West Erregulla tight gas field of EP 469, north and adjacent to UIL Energy's EPA 82. Work is expected to begin on EP 469 by the end of 2014.

Elsewhere in the Perth Basin, a number of wells are proposed to be drilled targeting conventional structures across various geological formations ranging from Permian through to Late Jurassic in age.

CANNING BASIN

Basin overview

The Canning Basin covers an area of over 400,000 km² in north-west Western Australia. The basin is remote and lightly explored. Oil was discovered in 1981 when Blina-1 well was drilled, and in 1982, Sundown-1 well led to the discovery of the Sundown field.⁶ Conventional exploration has occurred sporadically since with the Ungani field (operated by Buru Energy Ltd) recently being discovered in 2011.

Geological overview

UIL Energy's focus within the Canning Basin will be onshore assessing the marine Goldwyer Formation. The Goldwyer Formation has the capability to be an excellent source rock and therefore unconventional target. Exploration for conventional and unconventional petroleum in the Canning Basin is increasing with the entry of a number of multinational petroleum companies.

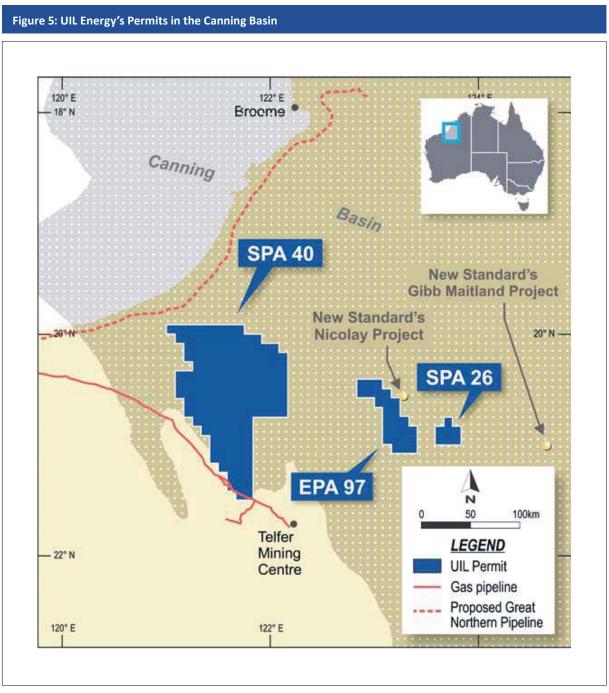
Geophysical interpretations indicate that the Goldwyer Formation is present in UIL Energy's permits, however the thickness, source rock quality and unconventional potential of the Goldwyer Formation will not be fully understood until drilling results from adjacent operators and the Company's own drilling is known.

UIL Energy project portfolio

UIL Energy currently has a Permit position of 15,144 km² across EPA 97 and two accepted applications for SPAs (SPA 26 and SPA 40). The Company has significant exploration potential having interests in acreage in the Kidson Sub-basin (EPA 97 and SPA 26) as well as an interest in the whole of the Samphire Graben (SPA 40). Further insights as to the exploration potential of these areas will occur over the coming years.

A joint venture between Conoco Phillips, PetroChina and New Standard holds the Permits surrounding SPA 26.

^{6.} Not an asset of the Company. Investors should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL Energy's permits.



Note: UIL Energy is the preferred applicant for SPA 26 and SPA 40. See Section 9 for further details regarding the SPAs.

EPA 97, SPA 26 and SPA 40 (All 100% owned by UIL Energy) Project Highlights

- (a) Ground floor acreage position in the Canning Basin.
- (b) Focus on the Goldwyer source rock.
- (c) Targeting both oil and gas.
- (d) Situated in the Kidson Sub-basin and Samphire Graben.
- (e) Long term exploration target with significant upside.
- (f) Proximity to Telfer gas pipeline.

Project Summary

UIL Energy has recognised the potential of the Canning Basin in applying for and being notified by the DMP of its preferred applicant status in respect of EPA 97 and accepted applications for SPA 26 and SPA 40. The Company has a long-term view on the Canning Basin, and its strategy will be modified with results both from other operators in the basin along with our own exploration results.

EPA 97 covers 2,080 $\rm km^2$, SPA 26 covers 560 $\rm km^2$ and SPA 40 covers 12,504 $\rm km^2$.

Proposed Work Program

UIL Energy plans to acquire an airborne gravity and magnetic survey over both SPA 26 and SPA 40 in the fourth quarter of 2014. The gravity and magnetic data collected in addition to the existing data will assist the Company with defining a number of geological features.

Within six months of completion of the gravity magnetics survey, and if the survey results are considered positive, UIL Energy plans to apply for an EPA over the prospective areas of the SPAs

UIL Energy will negotiate Heritage Protection Agreements over EPA 97 to enable its formal grant by the DMP.

Commercialisation Plan

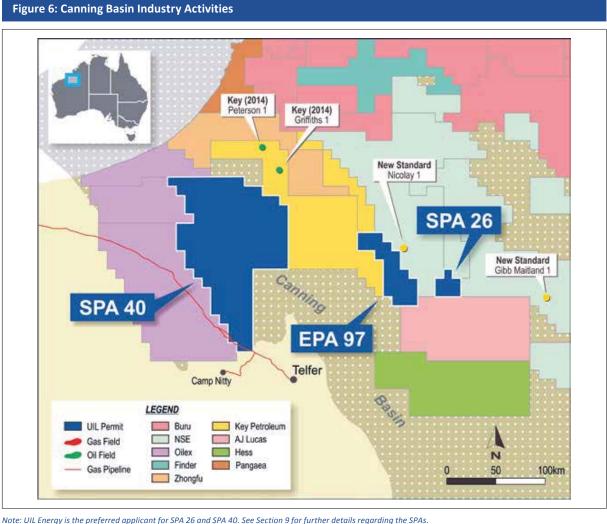
On discovery of oil, UIL Energy could initially truck the oil to Perth via highway. Should a gas discovery be made in SPA 40, a pipeline could be constructed to link to the Telfer gas pipeline, which runs along the south-west side of the permit. A large discovery in either Permit would likely need to be linked to the main Dampier—Bunbury gas pipeline. The total scope of future oil or gas infrastructure requirements is currently unknown, but may include access to any future planned third party pipelines.

Canning Basin Competitor Activities

The southern Canning Basin contains a diversity of operators ranging from major international players such as Conoco Philips, Hess and PetroChina to small local and private companies such as Key Petroleum and Pangaea Resources.

Due primarily to success in the exploitation of the U.S shale resources boom, the Canning Basin has attracted international attention and as a result has seen a resurgence of exploration effort. Most recently, the transaction between Conoco Philips, PetroChina and New Standard Energy, resulted in the drilling of Nicolay 1 and Gibb Maitland 1 in 2012 in the Kidson Sub-basin. These wells targeted the Goldwyer Formation as an unconventional shale resource target.

A summary of the remainder of 2014 and 2015 exploration activities in the Southern Canning Basin is shown below in Figure 6: Canning Basin Industry Activities.



In quarter 2 2014 Admiral Oil (a subsidiary of Oilex NL) undertook a regional airborne gravity and magnetic survey over SPA 55, situated adjoining to the western border of UIL Energy's SPA 40, to assist with delineating the structural morphology of the Wallal Graben. Subsequently Admiral Oil has the right to enter into an exclusive negotiation phase with the WA DMP for the conversion of the SPA to an EPA.

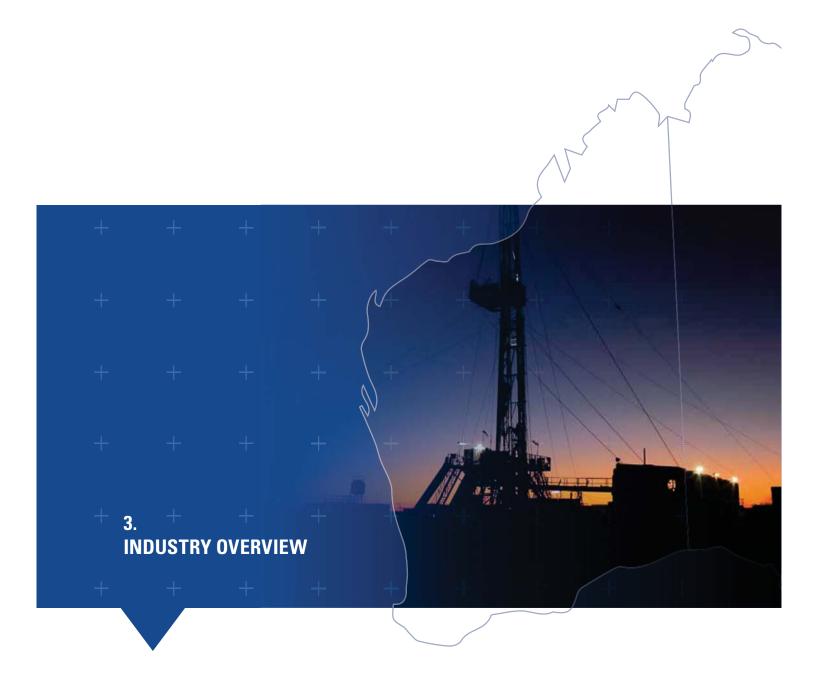
Exploration activities in the southern Canning Basin for the remainder of 2014 and 2015 will primarily be undertaken by Key Petroleum with the proposal to drill two shallow oil wells in EP 448 targeting conventional structures within the Ordovician Nita and Willarra Formations. The exploration drilling is currently scheduled for late 2014.

2.6 PROPOSED WORK PROGRAM OVERVIEW

UIL Energy intends to fund its initial exploration activities from the proceeds of the Offer. The Company's Proposed Work Program includes negotiating agreements to enable the formal grant of the four EPAs, geological and geophysical assessment, further review and planning in EP 447, planning, completing and interpreting around 100km of seismic within EP 488 and EP 489 and gathering airborne gravity and magnetic data over SPA 26 and SPA 40. If the maximum subscription is raised, the Company will plan to shoot 3D seismic across EP 447, EP 488 or EP 489 to high grade potential conventional targets. The Company will carry out its operations safely and will work to develop strong ties with communities in the areas in which it operates.

OTHER OIL AND GAS PROSPECTS 2.7

In addition to focusing on the development of UIL Energy's Permits in Western Australia identified above, UIL Energy intends to utilise its management expertise and knowledge to assess other oil and gas opportunities that may arise. In the event that UIL Energy determines that any such other oil and gas opportunities are technically and economically prospective, UIL Energy may seek to invest in such opportunities.



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REPORT TO UIL ENERGY LIMITED

2 JULY 2014

WESTERN AUSTRALIA GAS MARKET:

AN ASSESSMENT OF SUPPLY, DEMAND AND PRICE OUTLOOK

REPORT PREPARED FOR INCLUSION IN THE PROSPECTUS FOR THE PROPOSED INITIAL PUBLIC OFFERING FOR UIL ENERGY





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Figure 16 New Gas Supply Scenario: modelled wholesale gas price

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An Assessment of Supply, Demand and Price Outlook

Executive Summary

UIL Energy Limited (UIL) commissioned ACIL Allen Consulting to prepare this study of the Western Australian gas market and the opportunities that it may present for new gas producers.

Western Australia has the largest domestic gas sector of all the Australian states, with annual consumption of around 356 PJ in 2014¹. Gas accounts for over half of Western Australia's primary energy consumption, with the majority used for mineral processing and electricity generation.

Domestic gas demand in Western Australia continues to grow, but existing sources of supply face declining production rates as available reserves are depleted. Domestic gas supply from the North West Shelf Joint Venture (NWSJV), which currently supplies around 55% of the market, is expected to decline from around 2016. In the longer term it is unlikely that any gas from the NWSJV will be delivered to domestic customers. From about 2021 on we expect production rates from the NWSJV fields to fall below the levels required to maintain LNG production at current full capacity. New gas sources will therefore be needed to fill the domestic supply gap and to maintain LNG production rates.

There is no shortage of gas in the region, with the offshore Carnarvon, Browse and Bonaparte Basins containing very large undeveloped reserves. However, the high cost of bringing these reserves into production means that developing them purely to serve the domestic market is typically not feasible; most of the offshore fields would require the economies of scale that are only offered by large export-oriented LNG or petrochemical projects.

Only very limited conventional gas reserves have been established to date in the onshore area of WA, with the northern Perth Basin being the only onshore area to produce gas commercially. Conventional gas fields in the Perth Basin commenced supply to Perth and the Kwinana region in 1972 and since that time have produced more than 700 PJ of gas. Geoscience Australia estimated in 2011 that remaining reserves of conventional gas in the Perth Basin amounted to around 200 PJ. Since then, additional reserves of about 225 PJ have been identified and brought into production.

Further supply will come from domestic gas plants associated with new LNG projects (Gorgon, Wheatstone and possibly Pluto) as well as dedicated gas projects such as Macedon. However by themselves these new supply sources will not be sufficient to offset the loss of supply from the North West Shelf project.

This study reports on modelling of two different supply cases designed to assess the market appetite for new onshore gas supply (conventional or unconventional) sourced from the Perth or Canning Basins. UIL Energy holds exploration interests in these areas.

The **Constrained Supply Case** relies on currently identified gas reserves and existing or firmly planned field developments. It therefore provides a view of the supply/demand balance and of wholesale gas price trends in the absence of major new sources of gas supply other than those already in development or committed under reservation agreements associated with LNG projects.

The **New Gas Supply Case** assumes that, in addition to the supply sources available in the Constrained Supply Case, new sources of gas supply in the Perth Basin and Canning Basin (principally unconventional gas) are developed and made available to the market. The Canning and Perth Basins are both regarded as prospective for unconventional oil and gas resources, with several companies actively engaged in both areas, investigating prospects for shale gas, tight gas and basin-centred gas accumulations.

The analysis demonstrates that:

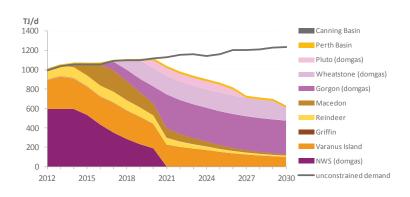
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¹ WA Independent Market Operator, 2104: Gas Statement of Opportunities, January 2014, p.10.

— In the absence of new sources of gas supply beyond those identified in the Constrained Supply Case, there will be a widening gap between gas supply and unconstrained demand, leading to higher gas prices and reduced gas consumption (Figure ES1). The alumina industry would see the largest decline in gas supply with isolated power generation (outside the SWIS) also strongly affected.

Figure ES 1 Domestic gas Supply/Demand Balance under the Constrained Supply Case



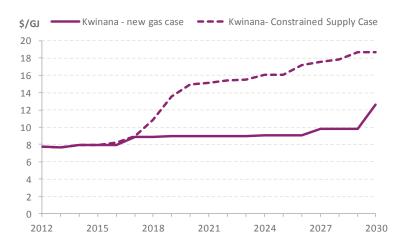
Source: ACIL Allen modelling

- Supply of gas from the North West Shelf into the domestic market will decline from around 2015–16 and there is unlikely to be any NWSJV domestic gas supply after 2021.
- New domestic supply from Macedon, Gorgon, Wheatstone and Pluto will not be sufficient to replace the lost production from the NWS project.
 - In these circumstances, wholesale gas prices will rise sharply as supply from the NWSJV tapers off, and will continue to rise in real terms reaching levels at least as high as LNG netback (Figure ES 2).

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An Assessment of Supply, Demand and Price Outlook

Figure ES 2 Modelled wholesale gas prices



Source: ACIL Allen modelling

- The anticipated supply shortfall could be largely avoided if substantial quantities of unconventional gas production become available from the Perth Basin and/or the Canning Basin.
 - Transmission pipeline access is unlikely to pose a significant obstacle to development in the Perth Basin or onshore Carnarvon Basin given the proximity of these locations to existing infrastructure. Supply from the Canning Basin would require construction of a major new transmission pipeline.
- The introduction of new unconventional gas supply could act to limit increases in wholesale gas prices. However, prices are still likely to rise above current levels in real terms because of the relatively high expected cost of production of unconventional gas in Western Australia and because new gas suppliers may have the alternative of selling gas to LNG producers.

Based on this analysis, it is reasonable to conclude that if UIL Energy is able to discover commercial quantities of gas in its Western Australian exploration tenements, there is likely to be a market for that gas provided it can be delivered into the existing transmission pipeline system.

Executive Summary VI

1 Introduction

UIL Energy Limited ("UIL") commissioned ACIL Allen Consulting Pty Ltd to prepare a study of the gas market in Western Australia in support of a proposed Initial Public Offering (IPO) and public listing of UIL. The market study is intended to provide UIL with independently-sourced information on the Western Australian gas market and the opportunities that it may present for new gas producers.

1.1 Scope the Report

The report describes the Western Australian gas market in terms of current and anticipated demand for gas, sources of gas supply and the resultant supply/demand balance, long term contracts and re-contracting opportunities, gas prices and price drivers.

The report sets out general information with regard to current and anticipated conditions in the gas market in Western Australia. It is intended to provide an indication of the likely future demand for gas in the State and the opportunities that may be available for new sources of gas supply to enter the market. It is not intended nor should it be construed as providing an assessment of the economic feasibility or commercial viability of any particular project or prospect. Such an assessment would require consideration of project-specific characteristics which are outside the scope of this study.

1.2 Statement of Qualifications

ACIL Allen Consulting is the largest independent economics and policy consultancy in Australia. The firm has broad experience in the gas industry, both in Australia and internationally. This experience covers areas including policy development, market analysis and the provision of economic and commercial advice to public and private sector clients. The firm's analytical and advisory services to the gas industry encompass the entire supply chain—from gas producers, pipeline operators, gas distributors and retailers, to major customers such as power stations and industrial facilities, as well as investors, developers and financiers.

The principal author of the report Paul Balfe is an Executive Director of ACIL Allen Consulting. Mr Balfe graduated from the University of Queensland (B.Sc. (Hons 1) in Geology and Mineralogy 1976; MBA 1988). He has some 35 years experience working in the mining and energy sector in Australia as a geologist, government administrator and economics and policy consultant. He commenced his career working as a petroleum and coal geologist with the Geological Survey of Queensland, and subsequently held various managerial roles in energy resource development in the Queensland Department of Mines & Energy.

As the Executive Director responsible for ACIL Allen's gas business, Mr Balfe has guided the development and commercialisation of the company's gas market modelling capability and its application to the analysis of gas markets throughout Australia and in New Zealand. He provides a range of analytical and advisory services to companies, government agencies and industry associations, particularly in the gas, electricity and resources sector. He has worked extensively on gas industry matters, particularly gas policy reform issues; gas

market analysis; gas pipeline developments, acquisitions and disposals; and gas project commercial analysis.

1.3 Organisation of the report

This report is set out as follows:

Chapter 1 sets out introductory information.

Chapter 2 discusses gas demand in Western Australia. It provides a projection of gas demand, by customer type, out to 2030, and sets out the key demand assumptions that have been made for purposes of modelling the gas market.

Chapter 3 discusses the current and anticipated gas supply situation in Western Australia. It lists the main sources of gas supply over the period to 2030 and summarises the distribution of gas reserves. It also discusses potential new sources of supply including unconventional gas. Finally, it provides a brief summary of the major gas transmission pipelines in Western Australia.

Chapter 4 considers the future gas supply/demand balance in Western Australia and the implications for wholesale gas prices in the longer term by drawing on ACIL Allen's modelling of the Western Australian market. Two modelling scenarios are examined: a Constrained Supply Case that provides a view of the supply/demand balance and of wholesale gas price trends in the absence of major new sources of gas supply (other than those already in development or committed under reservation agreements associated with LNG projects); and a New Gas Supply Case which investigates the potential for new gas sources to enter the market. The chapter closes with a brief consideration of options for marketing oil or condensate that may be produced in association with gas.

Chapter 5 summarises the key conclusions from the study.

2 Gas Demand in WA

Western Australia is the largest producer of gas among the Australian states, and has the highest domestic gas (non-LNG) demand. The State currently consumes, on average, around 975TJ/d or 356 PJ/a of gas for purposes not associated with LNG export production. This compares with current consumption of about 212 PJ/a in Victoria² which has the highest domestic gas demand of the eastern Australian states.

Ninety per cent of the domestic gas purchases in Western Australia are shared between five large customers: Alcoa, Alinta Sales, BHP Billiton, Burrup Fertilisers and Verve Energy. Over 80 per cent of domestic gas use is for power generation, alumina refining and resource processing and manufacturing in the South West region. Retail customers (households, commercial and small industrial users) account for only about 5 per cent of the market.

2.1 Projected domestic gas demand

Figure 1 shows a projection of unconstrained gas demand³ in Western Australia under current Constrained Supply Case assumptions. These demand projections do not include gas used in LNG production. On the basis of these projections, domestic gas demand in Western Australia will increase steadily over the study period from around 365 PJ/a (1,000 TJ/day) to about 440 PJ/a (1,200 TJ/day) by 2030. Strongest demand growth is expected in electricity generation (South West Interconnected System) and in iron ore mining and processing.

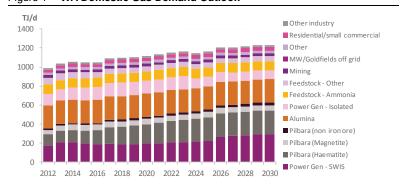


Figure 1 WA Domestic Gas Demand Outlook

Note: Excludes LNG, gas used in LNG production and own-use gas used as part of the gas production process.

Source: ACIL Allen Consulting

² Victorian consumption in 2013, as reported in AEMO's Gas Statement of Opportunities 2013.

³ The term "unconstrained gas demand" refers to the amount of gas that would be consumed if sufficient supply is made available at prices that the various classes of customer are willing and able to pay. If gas supply is insufficient to fully meet demand, actual consumption will be lower than the unconstrained demand level, with higher prices acting to allocate available supply to the most price tolerant consumers.

Because supply from existing sources (in particular the North West Shelf Project) is expected to decline sharply over the next decade, the question of whether or not this level of demand can be met will depend very much on whether new sources of gas supply become available. In the absence of new gas supply sources, it is unlikely that all of the projected gas demand growth can be met. This issue is further explored in Chapter 4.

The remainder of this chapter summarises the gas demand outlook for different gas customer sectors. These trends are reflected in the demand assumptions that ACIL Allen Consulting has used in the modelling scenarios.

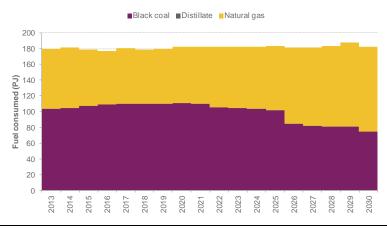
2.1.1 Gas demand for electricity generation

We make the following assumptions with regard to electricity generation in the South West Interconnected System:

- Electricity demand in the SWIS will follow the forecast case described by the Independent Market operator (IMO) in its "2013 Statement of Opportunities" published in June 2013.
- There will be no further coal fired generating plant built to supply the SWIS.
- The contribution of renewable energy (principally wind generation) to the SWIS will approach 20% by 2020.
- There will not be a noticeable impact from electric vehicles during the study period.
- The carbon tax transitions to an emission trading scheme under which carbon prices will reflect European Union carbon prices.
- The Muja AB coal fired power station units will not be restarted and the Kwinana C station will be retired in 2015.

Figure 2 shows the projected fuel consumption for power generators connected to the South West Interconnected System (SWIS) under these assumptions. Coal consumption declines gradually over the second half of the study period due to rising carbon costs. Natural gas consumption increases as coal consumption declines. The contributions from liquid fuel (distillate) are not material in terms of fuel consumption.

Figure 2 SWIS Power Station Fuel Consumption



Source: ACIL Allen Consulting

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On this basis we expect gas demand for electricity generation in the SWIS to show little if any growth from current levels of about 75 PJ/a over the remainder of the current decade. Between 2020 and 2030 there is a need for new gas-fired generation plant, resulting in an increase in gas demand to about 107 PJ/a.

2.1.2 Gas demand for alumina processing

We make the following assumptions with regard to alumina processing in WA:

- Alinta will not proceed with further expansion of its cogeneration plants at the Pinjarra and Wagerup alumina refineries.
- ALCOA will not proceed with Wagerup 3 expansion, and will not pursue coal conversion
 of the steam raising process at any of its refineries.
- After 2015, Worsley will reduce its reliance on the SW Cogeneration plant at the refinery in favour of its lower cost coal-fired facilities.
- No other bauxite mines or alumina projects will emerge during the study period.

On this basis we expect gas demand for alumina processing to remain stable at around 90 PJ/a throughout the projection period.

2.1.3 Gas demand for iron ore processing

- We make the following assumptions with regard to iron ore mining and processing:
- Iron ore exports will follow the ABARE projections until 2016, and thereafter will rise at a compound annual growth rate (CAGR) of 5%.
- All iron ore exports will be haematite based, except for the CITIC Pacific magnetite contribution of 29 Mtpa.
- No new magnetite projects will proceed.

On this basis we expect gas demand associated with iron ore mining and processing to rise from around 65 PJ/a at present to 95 PJ/a by 2020, and to 111 PJ/a by 2030.

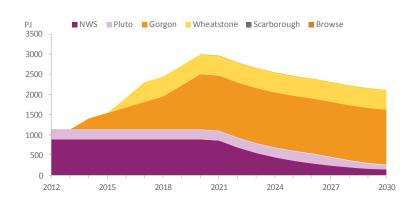
2.1.4 Retail gas demand

We expect retail residential and commercial gas customer numbers to increase generally in line with State population growth, but with declining average use per customer as a result of ongoing improvements in appliance design and building energy efficiency. Growth in the retail industrial sector is expected to reflect regional economic growth trends. As a result, total retail gas demand is expected to rise slowly from current levels of around 19 PJ/a to 20 PJ/a by 2020 and to 22 PJ/a by 2030.

2.2 Projected demand for LNG production

Figure 3 shows the projected gas demand for the LNG industry in WA.

Figure 3 Western Australia LNG production outlook



Source: ACIL Allen Consulting

Production from the Gorgon LNG facility ramps up from 2014, reaching full capacity (25 Mtpa; 1,370 PJ/a contained gas) by 2020. Own-use gas⁴ at Gorgon is expected to reach about 167 PJ/a at full capacity. Production from the Wheatstone LNG facility ramps up to full capacity of 8.9 Mtpa (488 PJ/a contained gas) by 2018, with an own-use gas requirement of around 54 PJ/a. The Pluto operation does not expand beyond its current capacity (4.3 Mtpa; 236 PJ/a) with production declining towards the end of the study period as currently available gas reserves approach depletion. In the absence of new gas reserves, production from the North West Shelf (NWS) LNG operation will decline from around 2020⁵. Under the Constrained Supply Case assumptions neither Scarborough LNG nor Browse LNG supplies any gas into the Western Australian domestic market during the study period.

^{4 &}quot;Own use gas" refers to gas consumed in the process of gas liquefaction but not contained in the final LNG product.

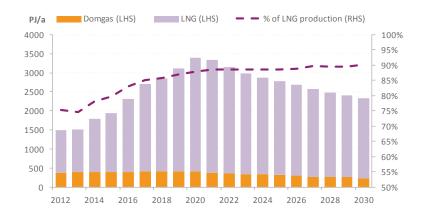
Full supply into the NWS LNG facility is able to be maintained until around 2020 because declining field deliverability is assumed to be accommodated initially by reducing supply into the domestic market (from around 2016).

3 Gas Supply in Western Australia

3.1 Overview

Western Australia currently produces around three times more gas than all the other Australian States combined. More than 70 per cent of this production is used in the manufacture of LNG for export, and this proportion is projected to increase further with the major expansion of LNG production capacity currently under way (see Figure 4). The reasons for the declining supply of gas into both domestic and LNG markets after 2020 under the Constrained Supply Case assumptions relate primarily to the declining availability of gas from the North West Shelf Joint Venture after this time. This is discussed further in section 3.3.1 and Chapter 4.

Figure 4 Constrained Supply Case: gas supply to domestic gas markets and LNG production



Source: ACIL Allen Consulting

The key sources of domestic gas supply over the period to 2030 are expected to include:

- North West Shelf Joint Venture (NWSJV) existing LNG and domestic gas project operated by Woodside Petroleum.
- Pluto LNG Project a single train LNG project recently completed with a proposed future domestic gas allocation – operated by Woodside Petroleum.
- Harriet Joint Venture and John Brookes Joint Venture supplying through the Varanus Island hub – existing – operated by Apache.
- Reindeer Project existing operated by Apache.
- Macedon Project existing operated by BHP Billiton.
- Gorgon LNG Project under construction operated by Chevron.
- Wheatstone LNG Project under construction operated by Chevron.

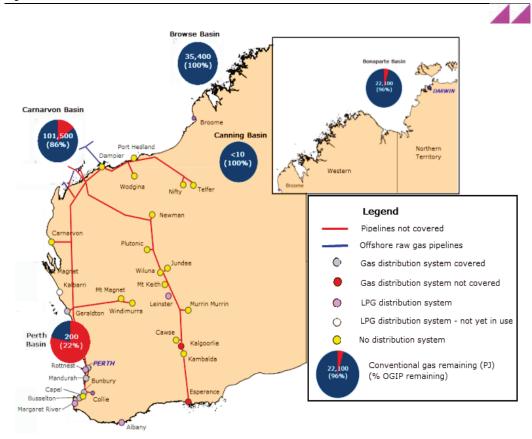
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These supply sources include four LNG projects which produce (or will produce) some gas for the domestic market as well as three projects—Varanus Island, Reindeer and Macedon—that are solely dedicated to domestic gas supply.

Small quantities of conventional gas—currently around 5 PJ/a—are also produced from fields in the Perth Basin. The future potential of the Perth Basin is discussed in section 0.

3.2 Gas reserves

Figure 5 Western Australia Gas Reserves



Note: OGIP stands for Original Gas In Place.

Data source: ACIL Allen Consulting after Geoscience Australia (quoted in Bureau of Resource & Energy Economics "Australian Gas Resources Assessment 2012")

Figure 5 provides a summary of the known gas reserves in Western Australia. Very large conventional gas reserves exist in the Carnarvon Basin, Browse Basin and Bonaparte Basin, offshore Western Australia. Geoscience Australia has estimated the remaining reserves in these three areas at more than 150,000 PJ⁶.

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⁶ Geoscience Australia quoted in Bureau of Resource & Energy Economics, 2012 "Australian Gas Resource Assessment 2012"

Only very limited conventional gas reserves have been established to date in the onshore area of WA, with the northern Perth Basin being the only onshore area to produce gas commercially. Conventional gas fields in the Perth Basin commenced supply to Perth and the Kwinana region in 1972 and since that time have produced more than 700 PJ of gas. Geoscience Australia estimated in 2011 that remaining reserves of conventional gas in the Perth Basin amounted to around 200 PJ. Since then, additional reserves of about 225 have been identified and brought into production.

There are no established coal seam gas (CSG) reserves in Western Australia. There is potential for CSG in the Perth Basin, but exploration to date has not identified any commercial resources.

The Canning Basin and Perth Basin are both regarded as prospective for unconventional oil and gas resources. In 2011 the U.S. Energy Information Administration released a world shale gas report which estimated technically recoverable shale gas resources of 229 Tcf (about 245,000 PJ) in the Canning Basin and 59 Tcf (about 63,000 PJ) in the Perth Basin. While no great reliance can be placed on these estimates, they are indicative of the fact that the unconventional gas resources in these basins are potentially very large. Several companies are actively engaged in both areas investigating prospects for shale gas, tight gas and basin-centred gas accumulations, with some promising early results.

3.3 Current supply sources

3.3.1 North West Shelf Joint Venture

The North West Shelf Joint Venture (NWSJV) currently supplies around 55 per cent of Western Australia's domestic gas. In the past, NWSJV domestic gas was supplied at low prices based on long term take or pay contracts that reflected the initial development arrangements for the NWS project and the Dampier to Bunbury Pipeline. However, with recent increases in the costs of finding and developing new offshore gas fields and increased opportunity costs given high global prices for LNG, there has been an upward movement in the price of NWSJV domestic gas.

The gas reserves available to the NWSJV are now depleted to such an extent that it is unlikely production can be maintained for much longer at the rates required to fully supply the LNG facilities and at the same time continue to supply domestic gas at current levels. On the basis of remaining proven and probable reserves, we consider it likely that domestic gas production from the NWSJV will begin to decline from around 2016.

By this time the NWSJV will have fully satisfied its domestic gas supply obligations under agreements with the Western Australian government. At current domestic gas and LNG prices, there is a strong commercial incentive for the NWSJV to maximise its sales of LNG rather than supplying the domestic market. Any discoveries made in the NWSJV permits in the Carnarvon Basin will be free of any further obligation to supply domgas, and would probably be used to extend the life of the LNG facilities rather that to supply domestic customers.

3.3.2 Harriet Joint Venture and John Brookes

The Harriet Joint Venture and John Brookes Joint Venture gas supplies are processed in the Varanus Island facility, operated by Apache. John Brookes is the major gas field, with about 1,100 PJ of reserves in 2006. Full capacity of the Varanus Island facility is 365 TJ per day. Based on current reserves, supplies from existing fields can be expected to decline slowly from around 2016.

Apache remains an active explorer in the Carnarvon Basin and is clearly seeking additional resources to extend the life of the Varanus Island domestic gas facilities. However, through its involvement in the Wheatstone LNG project, Apache has developed a potential alternative outlet for any large gas discoveries that it may make in the Carnarvon Basin. Given the current price disparity between domestic gas and LNG, it is reasonable to conclude that Apache will in future have a bias towards LNG production rather than domestic gas production for the commercialisation of any large gas discoveries, especially while there is spare capacity in the Wheatstone facility.

3.3.3 Reindeer

The Apache/Santos Reindeer field commenced production in late 2011 through an onshore gas processing facility at Devil Creek— a two-train facility with a gross production capacity of 215 TJ/day sales gas plus 1,000 barrels per day condensate. With reserves of around 420 PJ, the Reindeer field could support production at an average rate of 110 TJ/day for a little over 10 years. The adjacent Caribou field may be tapped to extend the life of the Reindeer/Devil Creek operations.

3.3.4 Macedon

BHP Billiton's Macedon project was recently completed with first gas delivered into the market during the second half of 2013. The project involved connection of the Macedon field (100 km west of Onslow) via an 85 km subsea pipeline to an onshore gas treatment and compression plant located at Ashburton North, approximately 17 km southwest of Onslow. A 67 km sales gas pipeline connects the processing plant with the Dampier to Bunbury Natural Gas Pipeline.

The processing plant has the capacity to produce gas at a maximum rate of around 215 TJ of gas per day. The Macedon field is estimated to contain about 400 PJ of proven and probable reserves, sufficient for production at an average rate of 100 TJ per day for 11 years.

3.3.5 Perth Basin

The Perth Basin was the original source of natural gas supply to the Perth – Kwinana region, and has produced gas since the early 1970s. Remaining proven and probable reserves of conventional gas are small (estimated by Geoscience Australia in 2011 at about 200 PJ). Since then, additional reserves of about 225 PJ have been identified and brought into production. The Perth Basin has considerable potential for production of unconventional gas (see section 3.5.1).

There have been several recent contracts signed for the supply of conventional gas from the Perth Basin. In late 2010, Synergy purchased up to 38 PJ of gas from AWE/Origin over a 7 year term, implying an average flow rate of about 15 TJ/day. Another recent contract for gas in the Perth Basin, announced in January 2012 by Empire Oil and its partners, involves supply of 15 PJ of gas to ALCOA over a 20 year contract term, implying an average delivery rate of around 2 TJ/day. This contract is being met from a new domestic gas and condensate production facility which was commissioned during 2013, processing raw gas from the Red Gully and Gin Gin fields, north of Perth. The Red Gully processing facility has an initial capacity of about 10 TJ/d, expandable to about 20 TJ/d⁷.

Fig. 2 Empire Oil & Gas N.L., Red Gully Gas and Condensate Processing Facility (PL 96). http://empireoil.com.au/prospects/ep-389-discovery/red-gully-gas-and-condensate-processing-facility

The Perth Basin has the advantages of proximity to the major market centres of Perth, Kwinana and the South West region as well as proximity to transport infrastructure, with both the Parmelia Pipeline and the DBNGP passing through the region. The area is also serviced by a number of small gas processing plants (Beharra Springs, Dongara, Hovea, Woodada) and an underground gas storage facility at Mondarra.

3.4 LNG-associated domestic gas projects

3.4.1 Gorgon LNG Project

The Gorgon project is scheduled to begin delivering domestic gas at a rate of up to 175 TJ/day from 2015, eventually rising to 300 TJ/d (notionally commencing 2021). Under the terms of the *Barrow Island Act 2003*, the Gorgon Joint Venture is required to reserve gas sufficient to deliver 2,000 PJ of domestic gas to the mainland over the life of the LNG project.

Gorgon has been active in the domestic gas market. It has signed contracts with Synergy for gas delivery at a rate of 125 TJ/d for 20 years, starting in 2015. This left only 50 TJ/day of domestic gas available from the first tranche of Gorgon domestic gas. We are not aware that any of the second tranche of Gorgon domgas has been marketed as yet.

There is a risk that the Gorgon domgas supply will be late, and large gas consumers are therefore pursuing strategies to mitigate this risk. These strategies include preservation of gas supplies under existing contracts by purchasing distressed gas from other buyers, particularly the gas that was destined for the delayed CITIC project. Also, the Mondarra gas storage facility has been filled by Synergy to provide local storage of gas in the event of a supply interruption or a supply delay.

3.4.2 Wheatstone LNG

Chevron and its partners are currently constructing the Wheatstone LNG project, which includes a 200 TJ/day domestic gas facility. First production of LNG is scheduled for 2016, with domestic gas supplies beginning after the completion of LNG Train 2 in 2018. Domestic gas sales from Wheatstone would also include gas from Apache's Julimar and Brunello fields. According to Chevron the combined resource in the Wheatstone and lago fields is around 9 Tcf (9,540 PJ)⁸ while Apache estimates that the Julimar and Brunello fields hold in excess of 2.1 Tcf (2,225 PJ)⁹. Allowing for gas used in production, the combined resources of these fields equate to around 19 years of LNG and domestic gas production at full design capacity.

3.4.3 Pluto LNG

Woodside's first LNG processing train at the Pluto project on the Burrup Peninsula began production in 2012. Pluto LNG project is the first new project to be subject to the Western Australian Gas Reservation Policy. According to the 2011 Western Australian Senate Inquiry into gas prices, Woodside has agreed to supply the equivalent of 15 per cent of LNG production as domestic gas within five years of the first Pluto LNG shipment or after the 30 millionth tonne of the LNG has been exported, subject to commercial viability. Negotiations as to how this domestic obligation will be met are continuing. Woodside advised the Senate Inquiry that because Pluto gas is relatively expensive to refine for domestic market

 $^{^{\}rm 8}$ Chevron presentation dated 27 September 2012, "Wheatstone Project Overview", slide 3.

⁹ Apache Corporation at http://www.apachecorp.com/Operations/Australia/Projects/Julimar.aspx

specifications, the company is promoting the use of third party gas or gas obtained from further alternative exploration programs rather than constructing a stand-alone domestic gas processing plant based on the Pluto field.

Production of domestic gas from Pluto may be limited by available reserves. According to Woodside¹⁰ its 90% interest in the proven reserves at Pluto amounts to 3,641 bcf (about 3,900 PJ), implying a total reserves base of about 4,300 PJ. At a production rate of 4.3 million tonnes per year for the current single-train project of LNG, the project only has sufficient proven reserves for about 15 years of operation excluding domestic gas sales and ignoring any tail effects.

For modelling purposes we have assumed that domestic gas production from Pluto will commence in 2020 at a rate of around 85 TJ/day.

3.4.4 Scarborough LNG

The Scarborough gas field, discovered in 1979, is operated by ExxonMobil's affiliate Esso Australia Resources Pty Ltd in joint venture with BHP Billiton. The field is located about 220 kilometres northwest of Exmouth in 900 metres of water. It is one of the most remote of the Carnarvon Basin gas fields.

ExxonMobil is assessing development concepts for Scarborough and has commenced the environmental referral process for a Floating Liquefied Natural Gas (FLNG) development option for the gas field. Because of its remote location, FLNG is considered the best option for developing Scarborough although a final concept selection decision has not yet been made.

Given that the most likely development pathway for Scarborough is via FLNG, it is unlikely that the project would include a domestic gas supply component although the Western Australian government may seek to negotiate an equivalent domestic supply contribution from other nearer-shore resources.

3.5 Other potential supply sources

In addition to the LNG-associated domestic gas projects identified above, other potential sources of domestic gas supply may include projects that are in the early stages of exploration, reserves definition and commercial demonstration.

These include both conventional and unconventional¹¹ gas sources.

3.5.1 Perth Basin

Several operators in the Perth Basin are pursuing a range of conventional and unconventional gas targets. The conventional plays are mostly relatively small, deep targets in the vicinity of previously identified fields, many of which have been produced and are now depleted.

Some effort has been directed to coal seam gas (CSG) exploration targeting the Irwin River Coal Measures in the northern Perth Basin, but no commercial reserves have yet been defined.

¹⁰ Woodside Annual Report 2012.

¹¹ The term "unconventional gas" refers to several different non-conventional gas play types including coal seam gas (CSG), tight gas contained in low permeability sandstone reservoirs, shale gas and so-called "basin-centred" gas accumulations.

Much of the recent activity in the Perth Basin has been directed toward other unconventional targets: shale gas and tight gas. Some of these projects such as Waroo and Whicher Range involve gas accumulations in large conventional structures that were discovered many years ago but which, because of low permeabilities, have not previously flowed at commercial rates. Application of unconventional production techniques (horizontal or inclined drilling and/or hydraulic fracture stimulation) may increase production rates to commercially viable levels

A number of other operators including AWE and Norwest Energy are targeting shale gas and tight gas accumulations using both vertical and horizontal drilling combined with multistage fracture stimulation. Results to date have provided some encouragement, demonstrating the presence of thick sequences of gas-charged tight reservoirs that are responsive to fracture stimulation. Some tests have also recovered associated liquid hydrocarbons. However further technical evaluation will be needed before commerciality can be demonstrated. A key challenge will be to reduce the costs of drilling and completion which are very high for exploration and "proof of concept" demonstration wells. The key attraction of these unconventional targets is that they have the potential to contain very large *in situ* resources. If commercial rates of production can be achieved, these plays therefore have the potential to support large-scale, long-life production projects.

UIL Energy holds interests in three exploration permits and three exploration permit applications in the Perth Basin.

3.5.2 Carnarvon Basin

There is ongoing exploration in the offshore Carnarvon Basin, and a number of significant discoveries have been made in recent times including the Zola and Bianchi fields. Depending on size and location, such discoveries may be developed for supply into domestic markets (new greenfield projects or through existing facilities, replacing currently producing fields when they are depleted) or may be directed into LNG production.

The Carnarvon Basin extends onshore and, while only lightly explored compared to the prolific offshore areas, the onshore parts of the basin are considered to be prospective for both conventional and unconventional oil and gas. Several exploration companies are now active in the onshore Carnarvon Basin.

3.5.3 Canning Basin

In recent times the Canning Basin has emerged as the most active onshore exploration area in Western Australia. Companies including Buru Energy, New Standard Energy and Key Petroleum have targeted a wide range of exploration play types including conventional oil (Ungani, Ungani North), basin-centred wet gas accumulations (Valhalla, Yulleroo) and shale gas (Goldwyer Shale).

In November 2012, Buru Energy and its joint venture partner Mitsubishi Corporation entered into an agreement with the Western Australian government which is designed to facilitate development of a domestic gas project. The State Agreement specifically covers permits which contain the Valhalla and Yulleroo wet gas accumulations. The agreement provides the Buru-Mitsubishi Joint Venture with relief from normal relinquishment requirements until 2024, subject to meeting exploration, appraisal and development obligations under the agreement. The State Agreement contemplates development of a domestic gas supply project delivering at least 1,500PJ of gas into the domestic market over 25 years. Under the agreement, Buru and Mitsubishi are required to submit a proposal for the development of a domestic gas project and pipeline by 30 June 2016. The pipeline component of the project

would provide a key strategic link into the existing gas transmission network, allowing gas from the Canning Basin to reach domestic customers throughout Western Australia.

The Buru–Mitsubishi Joint Venture also has an agreement with Alcoa under which Alcoa has advanced funding for exploration and development of gas reserves. The joint venture currently has until 1 January 2015 to establish sufficient reserves to deliver up to 500 PJ of gas to Alcoa.

UIL Energy holds interests in the Canning Basin in the form of one Exploration Permit and two applications for Special Prospecting Authorities.

3.6 Gas pipelines and transport infrastructure

The Western Australian gas market is served by four main high-pressure gas transmission pipeline systems as shown in Figure 6:

- The Dampier to Bunbury Natural Gas Pipeline (DBNGP) which services customers in the Burrup Peninsula, Mid West, Perth, Kwinana and South West regions. According to the DBNGP Capacity Register, the pipeline has a current full-haul capacity of 867 TJ/day. At present, approximately 84% of the original DBNGP has been duplicated through looping. In January 2014 the DBNGP had a small amount (around 10 TJ/day) of spare full-haul shipping capacity 12.
- The Parmelia Pipeline which provides an alternative transport pathway for gas users in the Perth and Kwinana areas. According to the IMO the Parmelia Pipeline has approximately 45% of its total capacity available for shipping additional gas.¹³
- The Goldfields Gas Pipeline (GGP) which services customers in Goldfields regions, with an extension south to Esperance. In 2013 the GGP had a compressed capacity of approximately 155 TJ/day and was fully contracted.¹⁴ The IMO reported in January 2014 APA Group was increasing the capacity of the GGP by some 47.4 TJ/day with the majority of the expanded nameplate capacity having been secured through 15 and 20-year contracts with BHP Billiton and Rio Tinto.
- The **Pilbara Energy Pipe Line** (PEPL) which services customers in the Pilbara region.

The DBNGP and GGP are subject to economic regulation by the Western Australian Economic Regulation Authority and therefore offer third party access on the basis of standard reference services and regulated tariffs.

The Parmelia Pipeline and PEPL are not subject to economic regulation: they offer transport services on commercially negotiated terms.

Most if not all of the wholesale gas buyers in Western Australia have contracts for capacity in the gas transmission pipelines servicing their load centres. As a result, gas producers are generally able to sell on an "ex plant" basis or delivered to the transmission pipeline inlet and therefore do not need to contract directly for transmission pipeline capacity.

¹² WA Independent Market Operator, 2014: Gas Statement of Opportunities, January 2014, p. 127.

Independent Market Operator (2013): "Gas Market Statement of Opportunities – July 2013", p.37.

Independent Market Operator (2013): "Gas Market Statement of Opportunities – July 2013", p.37.

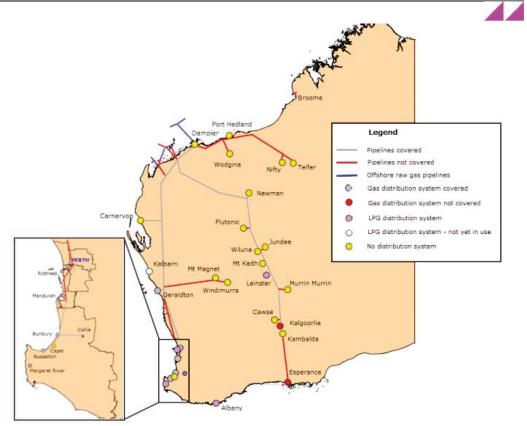


Figure 6 Gas Pipeline infrastructure in Western Australia

Data source: ACIL Allen Consulting based on ERA WA information

4 Future gas supply/demand balance and price outlook

In this chapter we consider the future gas supply/demand balance in Western Australia and the implications for wholesale gas prices in the longer term.

4.1 Methodology

In order to develop projections of domestic gas demand, supply and wholesale price for Western Australia, ACIL Allen Consulting has used its proprietary models of the Western Australian energy market, which include:

- PowerMark a detailed 'bottom-up' market algorithm that analyses dispatch outcomes and investment trends in the South-West Interconnected System and Pilbara energy grid.
- RECMark a model that interacts with PowerMark to investigate the impact of the expanded national Renewable Energy Target on Australia's electricity markets.
- GasMark Global Australia (GasMark) a detailed 'bottom-up' model of demand and supply in the Australian gas market, including international linkages.

In our analysis of Western Australian gas demand and supply, we have modelled the entire Western Australian gas supply and delivery system. Loads across all the major transmission pipelines depicted in Figure 6 form part of the *GasMark* model inputs. The modelling of energy demand takes into account forecasts of electricity demand contained in the Independent Market Operator's *"Statement of Opportunities"* released in June 2013 ("Expected Growth Scenario").

GasMark has been used to investigate two supply scenarios.

- a "Constrained Supply Case" in which future gas supply relies on currently identified gas reserves and existing or firmly planned field developments.
- a "New Gas Supply" Case in which new sources of gas supply in the Perth Basin and Canning Basin (assumed to be principally unconventional gas) are developed and made available to the market.

In both cases we have adopted a modelling timeframe to 2030 in order to observe long-term trends in the market.

The two cases are designed to address the question of whether there is likely to be a strong market opening for unconventional gas resources in Western Australia if such resources can be demonstrated and brought into production. By comparing the results of the two cases, we look to assess the potential impact of such new supply sources on overall levels of gas consumption and on wholesale gas prices.

4.2 Constrained Supply Case analysis

The Constrained Supply Case scenario adopts a set of demand assumptions that are consistent with the discussion of current and future demand for gas in different sectors of the market as set out in Chapter 2. In terms of gas supply, we have incorporated

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assumptions regarding proven and probable gas reserves and production capacity available to the current domestic gas suppliers. We have also included new sources of domestic gas supply associated with the Gorgon, Wheatstone and Pluto LNG projects as well as the Macedon project. Further details on these supply sources are set out in Chapter 3.

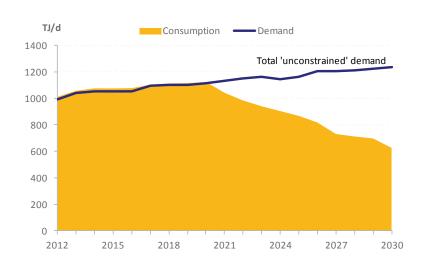
For the Constrained Supply Case we do not include any significant production of unconventional gas (shale gas or tight basin-centred gas) from either the Perth Basin or the Canning Basin.

The Constrained Supply Case therefore provides a view of the supply/demand balance and of wholesale gas price trends in the absence of major new sources of gas supply other than those already in development or committed under reservation agreements associated with LNG projects.

Figure 7 compares the aggregate level of gas consumption (that is, the modelled quantity of gas supplied into the domestic gas market) with the total "unconstrained" gas demand which is the amount of gas that would be consumed if sufficient supply could be made available at prices that the various classes of customer are willing and able to pay.

The results show that, under the Constrained Supply Case assumptions, consumption of domestic gas will fall below the unconstrained demand level from 2020 on, with the gap between supply and demand increasing steadily over the remainder of the projection period. By 2030, total gas consumption will have fallen from a peak level of about 1,120 TJ/d in 2020 to 625 TJ/d by 2030—little more than half the projected level of unconstrained gas demand.

Figure 7 Constrained Supply Case: Domestic gas consumption vs unconstrained demand



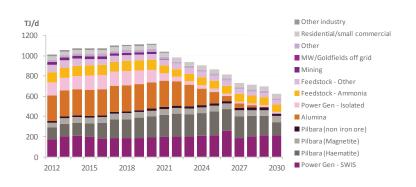
Note: Excludes gas used in production of LNG Source: ACII, Allen modelling

In Figure 8 the gas consumption is disaggregated into different load types. This shows that under the Constrained Supply Case assumptions the supply shortfall would impact most heavily on the alumina industry, which would take no gas beyond 2028. This in turn reflects the fact that the alumina industry has a relatively low tolerance for high gas prices and has

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the option of switching to alternative fuels (in particular coal) for process heat. The modelling results indicate that gas supply to isolated power generation (outside the SWIS) would also be strongly affected.

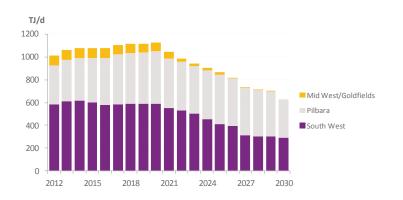
Figure 8 Constrained Supply Case: gas consumption by load type



Note: Excludes gas used in production of LNG Source: ACIL Allen modelling

Figure 9 shows the corresponding breakdown of gas consumption by region. The modelling suggests that gas supply into the Mid West and Goldfields region would decline to virtually zero by the end of the projection period, implying a shift away from gas-fired electricity to alternative forms of generation. The fall in consumption in the South West Region is consistent with reduced gas use for alumina production.

Figure 9 Constrained Supply Case: gas consumption by region



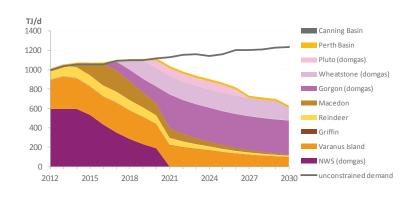
Note: Excludes gas used in production of LNG Source: ACIL Allen modelling

Figure 10 shows the sources of domestic gas supply under the Constrained Supply Case, comparing the aggregate supply stack with the unconstrained demand level. Once again it highlights the very significant production shortfall that emerges post-2020. The most striking aspect of these results is the drop off in supply from the North West Shelf project which ceases to supply any gas to the domestic market after 2021. The reasons for the declining

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supply of NWSJV gas into the domestic market are discussed in section 3.3.1. Supplies from Reindeer, Macedon and Pluto also taper off as a result of reserves limitations.

Figure 10 Constrained Supply Case: gas supply by source vs unconstrained demand



Note: Excludes gas used in production of LNG Source: ACIL Allen modelling

The potential impacts of highly constrained gas supply on wholesale gas prices in the Western Australian domestic market are illustrated in Figure 11. The modelled prices are expressed in real 2012 dollar terms, inclusive of transmission pipeline tariffs, on the basis of delivery at Kwinana.

Figure 11 Constrained Supply Case: modelled wholesale gas price



Note: Price expressed in real 2012 A\$/GJ, delivered at Kwinana Source: ACIL Allen modelling

The modelling indicates that under the Constrained Supply Case assumptions, wholesale gas prices will rise sharply as supply from the NWSJV tapers off and will continue to rise in real terms throughout the modelling period reaching levels at least as high as LNG netback.

4.2.1 Comparison with WA Gas Statement of Opportunities Reports

The Western Australian Independent Market Operator (WA IMO) released its first Gas Statement of Opportunities (GSOO) report in late July 2013. The GSOO is intended to be an annual report designed to provide an overview of the gas market together with technical and market data and information regarding the status and opportunities of the gas market in Western Australia. The first GSOO provided forecasts of gas demand and supply for the Western Australian domestic gas market for the period 2013 to 2022.

The 2013 GSOO forecasts of gas demand (which were developed by the National Institute for Economic and Industry Research, NIEIR, as consultant to the WA IMO) were generally similar to the ACIL Allen unconstrained demand forecast presented in this report. The NIEIR base forecast set out in the 2013 GSOO predicted that domestic gas demand would grow at approximately 1.1% per annum from 947 TJ/d (346 PJ/a) in 2013 to about 1,052 TJ/d (384 PJ/a) in 2022. By way of comparison our demand forecast shows demand growing from about 990 TJ/d in 2012 to 1,155 TJ/d by 2022.

However, the conclusions of the 2013 GSOO regarding the supply/demand balance in Western Australia over the period to 2022 were very different from the conclusions for the Constrained Supply Case set out in our report. The 2013 GSOO concluded that:

- There would be adequate gas supply to meet forecast demand in the domestic market for the period to 2022.
- The gas processing capacity in the domestic market was anticipated to be double the forecast level of domestic gas demand by the end of 2022.
- Existing gas reserves were forecast to be sufficient to continue to meet 2022 domestic and LNG demand levels for a very considerable period beyond 2022.

We consider that the 2013 GSOO significantly overstated future domestic gas supply capability because it focussed on installed processing plant capacity rather than the rates of production that could be sustained through those facilities. It appeared to assume that, because of the very large gas resources located offshore in the Carnarvon, Browse and Bonaparte Basins, there was no issue with depletion of gas resources. In particular, it did not appear to anticipate any decline in supply to the domestic market from the NWSJV.

Following stakeholder feedback on the first GSOO report, the IMO released its second GSOO in January 2014. It took a far less optimistic view of future supply, concluding that:

- "... while the NWS has sufficient 2P reserves for the forecast period, the availability of gas supply from the NWS JVs is pivotal to the domestic gas supply-demand balance for the 2021 to 2023 period and is dependent on:
- the outcomes of ongoing discussions between the WA Government and the NWS JVs that relate to the status of remaining NWS reserves;
- investment decisions required by the NWS JVs to access remaining undeveloped reserves: and
- investment required to extend the life of the aging (30-year old) domestic gas production facility the Karratha Gas Plant (KGP),

each of which will involve consideration of the commerciality and profitability of ongoing operations at the KGP."

[IMO, 2014: WA GSOO, January 2014, pp. 4-5]

The forecasts of production capacity at 2022 were dramatically reduced, by between 525TJ/day (upper potential supply forecast) and 825TJ/day (lower potential supply forecast) compared to the 2013 GSOO base supply scenario. In the 2014 GSOO, supply capacity of between 1,025 TJ/day (low case) and 1,325 TJ/day (high case) in 2023 compares with projected demand of between 1,025 TJ/day (low case) and 1,150 TJ/day (high case).

We stand by our assessment that depletion of the NWSJV fields is likely to see a progressive decrease in deliverability from around 2016, resulting in a steep decline in the availability of NWS gas for the domestic market, and that from around 2021 the NWS LNG project has the potential to become a large buyer of third-party gas in order to increase utilisation and extend the life of existing LNG facilities.

4.2.2 Other evidence of tight gas supply

The question whether the NWS project will continue to supply the domestic market after current contracts expire has been a matter of growing concern for the WA government.

In November 2012 the Western Australian government entered into an agreement with Buru Energy and Mitsubishi Corporation aimed at securing new supplies of gas from the Canning Basin for the domestic market (see section 3.5.3). The fact that the Western Australian government entered into this State Agreement strongly suggests that the government is not satisfied that existing gas supply sources and committed new domestic gas supply developments will be sufficient to ensure adequate competitive gas supply for the domestic market, and that new supply sources are needed.

The WA government (as represented by the views of the former Energy Minister and current Treasurer, the Hon. Mike Nahan MLA) appears to be increasingly pessimistic about the likelihood of the NSWJV supplying the domestic market beyond 2020. In June 2014, Minister Nahan was quoted as saving that:

"it's clear from what I see that North West Shelf does not want to be on the market for domestic gas when their contracts run out. The feedback I get, overwhelmingly, from all players in the market is that our dominant gas supply evaporates at the end of the decade".

[The West Australian, "Energy crisis warning for WA", Daniel Mercer, 2 June 2014]

4.3 Potential market opening for new gas supplies

The "New Gas Supply" Scenario investigates the potential for new sources of gas supply to enter the market in Western Australia. It adopts the same gas demand assumptions as the Constrained Supply Case. It also adopts the same supply assumptions except that it includes the following additional new gas supply sources:

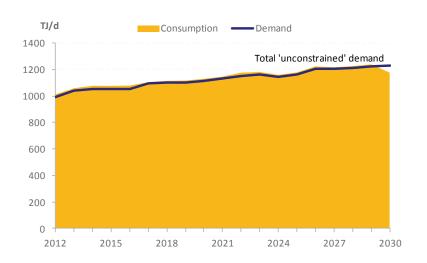
- Perth Basin unconventional gas available from 2016 at a long-run marginal cost (minimum selling price) of \$7/GJ (real 2012). Production capacity commences at 10 PJ/a in 2016, rising to 100 PJ/a by 2025. It is assumed that the Perth Basin unconventional sources are tied into both the DBNGP and the Parmelia Pipeline at Mondarra.
- Canning Basin unconventional gas available from 2016 at a long-run marginal cost (minimum selling price) of \$6.50/GJ (real 2012). Production capacity commences at 25 PJ/a in 2016, rising to 100 PJ/a by 2025. It is assumed that the Canning Basin unconventional sources are tied into the DBNGP via a new transmission pipeline from the central Canning Basin to Port Hedland ("Great Northern Pipeline") with an assumed tariff of \$1.40/GJ (real 2012).

Figure 12 compares the aggregate level of gas consumption under the New Gas Supply Scenario with the total unconstrained gas demand (which is identical to the unconstrained demand under the Constrained Supply Case assumptions).

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The results show that under the New Gas Supply Scenario assumptions, consumption of domestic gas will fully satisfy unconstrained demand until the last year of the projection period (2030) when a supply deficit starts to emerge.

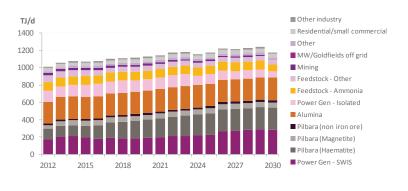
Figure 12 New Gas Supply Scenario: gas consumption vs unconstrained demand



Note: Excludes gas used in production of LNG Source: ACIL Allen modelling

In Figure 13 gas consumption is disaggregated into different load types. This shows that under the New Gas Supply Scenario assumptions, demand in all industry sectors is able to be satisfied. In particular, the supply shortfalls for the alumina industry and isolated power generation users that were observed under the Constrained Supply Case assumptions do not occur.

Figure 13 New Gas Supply Scenario: gas consumption by load type

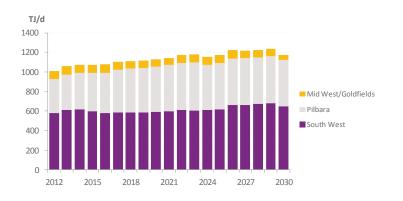


Note: Excludes gas used in production of LNG Source: ACIL Allen Modelling

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Figure 14 shows that gas supply is maintained in all three regional gas markets, including the Mid-West/Goldfields area.

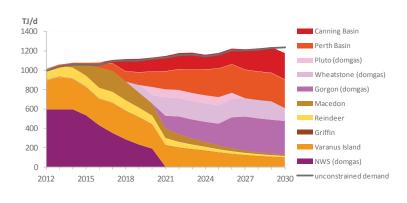
Figure 14 New Gas Supply Scenario: gas consumption by region



Note: Excludes gas used in production of LNG Source: ACIL Allen modelling

Figure 15 shows the sources of domestic gas supply under the New Gas Supply Scenario, comparing the aggregate supply stack with the unconstrained demand level. The strong uptake of new unconventional gas supply from both the Canning Basin and the Perth Basin is clearly apparent. Production levels from other conventional sources remains generally similar to the Constrained Supply Case, although there is some displacement of gas supply from the Gorgon and Wheatstone domestic gas projects.

Figure 15 New Gas Supply Scenario: gas supply by source vs unconstrained demand



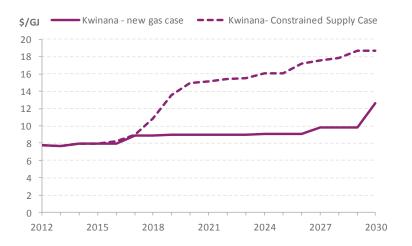
Note: Excludes gas used in production of LNG Source: ACIL Allen modelling

Figure 16 provides a comparison of modelled gas price outcomes under the New Gas Supply Scenario and the Constrained Supply Case. Again the modelled prices are expressed in real 2012 dollar terms, inclusive of transmission pipeline tariffs, on the basis of delivery at Kwinana. The modelling indicates that the introduction of the new unconventional

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gas supply sources would dampen the sharp price rises seen in the Constrained Supply Case. Wholesale prices would still rise in real terms, from current levels of about \$8/GJ to around \$12/GJ by the end of the projection period.

Figure 16 New Gas Supply Scenario: modelled wholesale gas price



Note: Price expressed in real 2012 A\$/GJ, delivered at Kwinana Source: ACIL Allen modelling

This analysis demonstrates that if UIL is able to discover commercial quantities of gas in its exploration tenements in the Perth Basin or Canning Basin, there is likely to be a strong market appetite for that gas provided it can be delivered into the existing transmission pipeline system. It also shows that, while new gas supply may limit the extent of wholesale gas price rises, there is room for a considerable volume of new gas supply to enter the market (at least 200 PJ/a under our modelling assumptions) without depressing prices below current levels.

4.4 Marketing of associated liquids

Exploration for unconventional gas in both the Canning Basin and the Perth Basin has demonstrated that, at least in some areas, the unconventional gas resources are "wet" with associated petroleum liquids. So, for example, Buru Energy has reported condensate levels of between 18,000 and 30,000 barrels per million cubic feet of gas in its Laurel basincentred gas accumulation¹⁵. In the Perth Basin, AWE and Norwest Energy have reported flows of gas accompanied by oil from the Kockatea Shale in their Arrowsmith–2 well.¹⁶

This raises the question of how condensate or other liquid petroleum produced in association with gas from UIL's exploration areas in the Perth Basin or Canning Basin could be marketed.

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Buru Energy ASX Announcement dated 8 February 2013: "Independent Resource Assessment Laurel Wet Gas Accumulation, Canning Superbasin". Liquid content calculated from reported prospective resource assessments for natural gas and condensate.

Norwest Energy ASX Announcement dated 3 September 2012: "Oil and gas to surface from Kockatea Shale Stage 5 of Arrowsmith-2"

- A marketing strategy for associated liquids might involve a two-stage process as follows:
- Initially, produced liquids would be stored on site in oil storage tanks prior to loading on trucks for road transport to the BP Refinery at Kwinana. Here it would be refined into petroleum and diesel products which are readily saleable either locally in Western Australia or shipped interstate or overseas.
- With increasing volumes of produced liquids, long-distance road transport would become a less economically and socially attractive option. A more permanent and cost effective solution could then be developed involving construction of a pipeline and crude oil storage tanks at the nearest port (there are existing ports at Onslow, Dampier, Port Hedland, Derby and Broome). The oil could then be directly shipped to the Kwinana refinery or overseas.

This is similar to the approach that is being adopted by Buru Energy for marketing oil from the Ungani field in the Canning Basin.

In the Perth Basin, Empire Oil and ERM Gas have entered into a Condensate Supply and Purchase Agreement with the BP Kwinana Refinery under which condensate from the Red Gully gas processing facility is trucked regularly to the refinery.

5 Conclusions

The following conclusions can be drawn from this study:

- In the absence of new sources of gas supply beyond those existing and already committed, there will be a widening gap between gas supply and unconstrained demand in Western Australia, leading to higher gas prices and reduced gas consumption.
- The alumina industry would see the largest decline in gas supply with isolated power generation (outside the SWIS) also strongly affected.
- There is unlikely to be any supply of gas from the North West Shelf into the domestic market after 2021.
- New domestic supply from Macedon, Gorgon, Wheatstone and Pluto will not be sufficient to replace the lost supply from the NWS project.
- In these circumstances, wholesale gas prices will rise sharply as supply from the NWSJV tapers off, and will continue to rise in real terms reaching levels at least as high as LNG netback.
- The anticipated supply shortfall could be largely avoided if substantial quantities of unconventional gas become available from the Perth Basin and/or the Canning Basin.
- The introduction of new unconventional gas supply sources would act to limit increases in wholesale gas prices. However, prices are still likely to rise above current levels in real terms because of the relatively high expected cost of production of unconventional gas in Western Australia and because new gas suppliers may have the alternative of selling gas to LNG producers.

Based on this analysis, it is reasonable to conclude that if UIL is able to discover gas in its Western Australian exploration tenements it is likely that there will be a market for that gas provided it can be delivered into the existing transmission pipeline system. Transmission pipeline access is unlikely to pose any significant problems in the Perth Basin because of the proximity to existing infrastructure. In the Canning Basin, market access would rely on construction of a major new transmission pipeline in order to tie into the existing transmission system.



4.1 INTRODUCTION

An investment in UIL Energy will be exposed to a number of key risks related to its specific business operations. Key risks are risks that the Directors and senior management of UIL Energy focus on when managing the business and which would have the potential, upon occurrence, to significantly affect UIL Energy and the value of investments in UIL Energy. An overview of these key risks is provided in Section 4.2.

An investment in UIL Energy is also subject to general risks which are common to all investments in shares and are not specific to the business model and operations of UIL Energy. These include, for example, the volatility of the share prices as a result of economic conditions, macroeconomic and fiscal decisions, currency movements and acts of terrorism or war. An overview of these general risks is provided in Section 4.3.

The future performance of UIL Energy and the future investment performance of the Shares may be influenced by these key and general risks. Investors should note that the occurrence or consequences of some of the risks described in this section of the Prospectus are partially or completely outside of the control of UIL Energy, its Directors and senior management. Prior to making any decision to accept the Offer, investors should carefully consider the risk factors applicable to UIL Energy set out in this section, in addition to their own knowledge and enquiries.

Investors should be aware that this section does not purport to list every risk that UIL Energy may have exposure to now or in the future and the list should not be seen as exhaustive. The specific risks considered and others not specifically referred to in this section may in the future materially affect the financial performance of UIL Energy and the value of the New Shares offered under this Prospectus. Investors should satisfy themselves that they have sufficient understanding of the risks of investing in UIL Energy, and have regard to their own investment objectives, financial circumstances and taxation before making an investment decision. Investors should read this Prospectus in its entirety and consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

4.2 KEY RISKS SPECIFIC TO AN INVESTMENT IN UIL ENERGY

Investors should be aware of the key risks specific to an investment in UIL Energy as described below.

(A) FINANCING, FUTURE CAPITAL NEEDS AND ADDITIONAL FUNDING RISK

UIL Energy has finite financial resources and no cash flow from producing assets and therefore will require additional financing in order to meet its minimum expenditure commitments for its Permits (which are set out in Appendix 2 of the Independent Geologist's Report) and to carry out its oil and gas exploration and development activities.

As set out in Section 1.6, under the current permit work commitments for EP 447 one exploration well to an estimated expenditure of \$5 million is due for completion by 22 August 2015 and is not reflected in the Proposed Work Program.

Should the Company decide to drill the EP 447 well, the Company may also need to raise additional funds during the 15 month duration of the Proposed Work Program to meet the costs associated with drilling the well or otherwise seek other alternatives to fund this well in order to satisfy the minimum expenditure requirements applying to EP 447 to keep the asset in good standing. Otherwise, the Company would require approval from the Department for a time extension to drill the well. There is no guarantee such an extension would be granted.

As set out in Section 1.6, the Company's Proposed Work Program will ensure that UIL Energy has sufficient funds to satisfy the minimum expenditure requirements applying to EP 488 and EP 489 for the duration of the 15 month Proposed Work Program.

Beyond the Company's initial 15 month Proposed Work Program, UIL Energy's ability to effectively implement its business strategy over time and keep its Permits in good standing will depend on its ability to raise additional funds, or find alternative ways to keep its assets in good standing.

There can be no assurance that any such equity or debt funding will be available to UIL Energy on favourable terms or at all. Failure to obtain appropriate financing on a timely basis could cause UIL Energy to have an impaired ability to expend the capital necessary to undertake or complete drilling programs, forfeit its exploration interests in certain properties, and reduce or terminate its operations entirely. If UIL Energy raises additional funds through the issue of equity securities, this may result in dilution to the existing shareholders and/or a change of control of UIL Energy.

(B) EXPLORATION AND DEVELOPMENT

The future value of UIL Energy will depend on its ability to find and develop oil and gas resources that are economically recoverable within UIL Energy's granted Exploration Permits. Hydrocarbon exploration and development is inherently highly speculative and involves a significant degree of risk. There can be no assurance that UIL Energy's planned exploration, appraisal and development activities will be successful. Even if oil and gas resources are identified, there is no guarantee that it will be economic to extract these resources or that there will be commercial opportunities available to monetise these resources. The proposed exploration and future drilling program could experience cost overruns that reduce the Company's ability to complete the planned exploration and future drilling program in the time expected.

Oil and gas exploration may involve drilling operations and exploration activities which do not generate a positive return on investment. This may arise from dry wells, but also from

wells that are productive but do not produce sufficient revenues to return a profit after accounting for drilling, operating and other associated costs. The production from successful wells may also be impacted by various operating conditions, including insufficient storage or transportation capacity, or other geological and mechanical conditions. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and profitability of individual wells.

(C) PROPOSED WORK PROGRAM

Whilst the Proposed Work Program reflects the Company's current intentions, the actual work undertaken by the Company will depend upon a number of factors or may be subject to certain pre-conditions including but not limited to delays to the anticipated seismic surveys, availability of contractor to fly gravity, negotiations with Native Title Parties and environmental approvals.

Any failure to adequately overcome these factors or pre-conditions may result in the Company reallocating expenditure under the Proposed Work Program to other Permits.

(D) CONTRACTUAL RISKS

UIL Energy is a party to various contracts, including those set forth in Section 11. In particular, the Company's interest in EP 447 arises by virtue of a farm-in and joint venture agreement which operates to regulate the risks and obligations of the owners of that permit. Whilst UIL Energy will have various contractual rights in the event of non-compliance by a contracting party, no assurance can be given that all contracts to which UIL Energy is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, UIL Energy will be successful in securing compliance. Any failure in the ability for UIL Energy to secure compliance of a contracting party could have a negative effect on the Company's ability to carry out is objectives and may have a detrimental financial impact on the Company.

(E) HYDRAULIC FRACTURING

UIL Energy is considering using horizontal drilling together with hydraulic fracturing stimulation technology in its exploration and development activities. The use of these technologies may be necessary for the production of commercial quantities of oil and gas from geological formations of the type that UIL Energy is targeting. The enactment of any new laws, regulations or requirements by any relevant government authority in respect of hydraulic fracturing could result in operational delays, increased operational costs and potential claims from a third party or governmental authority. Investors should note that hydraulic fracturing has been the subject of increased media scrutiny, particularly in the United States and more recently Australia, due to its potential environmental impacts on land and underground water supply if not properly managed.

Restrictions or prohibitions on the use of hydraulic fracturing may reduce the amount of oil and gas UIL Energy can produce and may have a material impact on UIL Energy's business.

(F) ENVIRONMENTAL REGULATIONS

Oil and gas exploration, development and production generates potential environmental risks and is therefore subject to environmental regulation pursuant to a variety of State, Territory and Federal laws and regulations. In particular there are regulations in place with respect to potential spills, contamination, releases and emission of substances related, or incidental to, the production of oil and gas. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. In certain circumstances, these laws and regulations also create obligations to remediate current and former facilities and locations where operations are or were conducted. Compliance with these regulations can require significant expenditure and a breach may result in substantial financial liability on UIL Energy. These risks will be minimised by UIL Energy conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

(G) OPERATIONAL

Oil and gas exploration and development activities involve numerous operational risks, including encountering unusual or unexpected geological formations, mechanical breakdowns or failures, human errors and other unexpected events which occur in the process of drilling and operating oil and gas wells.

The occurrence of any of these risks could result in substantial financial losses to UIL Energy due to injury or loss of life, damage to or destruction of property, natural resources or equipment, environmental damage or pollution, clean-up responsibilities and regulatory investigation, amongst other factors. Damages occurring to third parties as a result of such risks may give rise to claims against UIL Energy which may not be covered fully by insurance or at all. UIL Energy has limited prior operating history and there can be no assurances that it will be able to commission or sustain successful operation of its projects.

The Directors of UIL Energy will, to the best of their knowledge, experience and ability (in conjunction with senior management) endeavour to anticipate, identify and manage the risks inherent in the activities of UIL Energy, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of UIL Energy and its business operations. The ability of the Directors to do so may be affected by matters outside their control and no assurance can be given that the Directors of UIL Energy will be successful in these endeavours.

(H) NATIVE TITLE

The effect of the Native Title Act is that existing and new Permits held by UIL Energy may be affected by Native Title procedures. The requirement to comply with the Native Title Act has the potential to significantly delay the grant of Exploration Permits and other petroleum permits in Australian jurisdictions. This is because generally a proponent must negotiate with and obtain the consent to grant of any determined Native Title holders or groups with a registered claim overlapping the permit area.

All of the Permits held or applied for by UIL Energy overlap to some degree with Native Title.

UIL Energy will need to comply with the procedures under the Native Title Act prior to the grant of the EPAs and SPAs. UIL Energy is currently working through these processes.

Such procedures may take considerable time, involve the negotiation of significant agreements, may involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming Native Title in the land which is the subject of a Permit. The administration and determination of Native Title issues may have a material adverse impact on the position of UIL Energy and its business.

If UIL Energy applies for additional rights such as a production lease, it will also need to comply with the procedures under the Native Title Act at this time, which will include negotiations with Native Title Parties.

(I) CULTURAL HERITAGE AND ABORIGINAL SITES OF SIGNIFICANCE

Legislation in Australia and overseas typically allows for the protection of the cultural heritage of both indigenous peoples and later settlers. Permits and project areas may contain sites of significance, which would need to be avoided when carrying out field programs and project development. A failure to comply with this legislation may amount to a criminal offence carrying penalties of imprisonment and monetary fines.

One way to address Aboriginal cultural heritage is to enter into an agreement with the relevant Native Title Party (commonly called a Heritage Protection Agreement (HPA) or a Petroleum Access & Heritage Agreement (PAHA)). There is a HPA in place for EP 488 and EP 489, which contain provisions for the protection of Aboriginal heritage and the carrying out of heritage clearance surveys. There is also a HPA in place for EP 447; however neither UIL Energy or the co-owner of the Permit are currently a party to the HPA and the HPA will either need to be assigned to the Company or the co-owner of EP 447 or a new HPA negotiated.

In respect of the two applications for SPAs, there are PAHAs in place where UIL Energy is a party to the PAHAs. UIL Energy is negotiating agreements for the four EPAs containing clauses regarding the protection of Aboriginal heritage and the

carrying out of heritage clearance surveys with the respective Native Title Parties as part of its compliance with the native title procedures for the grant of the permit.

Any refusal or delay in obtaining the necessary approvals or clearance from the Native Titles Parties may result in a departure from the Company's Proposed Work Program and may have a material impact on UIL Energy's business.

Despite the measures put in place by the Company, there remains a risk that sites of cultural significance may exist that may contain an economic hydrocarbon resource, which would not be able to be accessed by the Company.

(J) PERMIT APPLICATION

UIL Energy has four EPAs and two applications for SPAs currently outstanding with the Western Australian government authorities.

In the case of the EPAs all the application areas were offered to UIL Energy, as the successful bidder, via a competitive tender process. To progress the grant of any permit, UIL Energy is required to negotiate Native Title Agreements with the registered Native Title claimants of the area in which the permit is situated.

EPA 82, EPA 98 and EPA 99, in the Perth basin area, have been offered to UIL Energy. The formal process to identify the appropriate registered parties to negotiate with is complete. Informal discussions have commenced to negotiate an agreement and sign off on the State Deed.

EPA 97 is in the Canning basin area of Western Australia. The EPA area outline has recently been amended and the EPA re-offered to UIL Energy. The formal process to identify the appropriate registered parties to negotiate with is complete. Informal discussions have commenced to negotiate an agreement and sign off on the State Deed.

UIL Energy has also applied for two SPAs in the Canning Basin. The SPAs have a life of six months in which time a program agreed with the Western Australian government is to be undertaken by UIL Energy. Upon successfully completing the agreed program UIL Energy has a right to apply for an EP for all or a portion of the SPA area. The process to grant of the SPA involves successfully negotiating an agreement with the registered Native Title party along with signing a State Deed. UIL Energy has PAHAs in place where UIL Energy is party to the PAHA.

There is no guarantee that the Company's EPAs or applications for SPAs will be granted or that any SPAs will convert to EPs, or if granted or converted, will be over the desired portion or on terms that are favourable to the Company. If the EPAs or SPAs are not granted, UIL Energy will not be authorised to explore for oil and gas in the areas comprised in those EPAs and SPAs, which may have a materially adverse effect on the future profitability of the Company.

(K) RESERVES AND RESOURCES

Accumulations of hydrocarbons will be classified according to the system designed by the Society of Petroleum Engineers, through the Petroleum Resources Management System (SPE-PRMS) and in accordance with ASX Listing Rules.

The SPE-PRMS system classifies accumulations of hydrocarbons with respect to a matrix of uncertainty and chance of commerciality. Whilst there are a multitude of pathways through this matrix from Prospective Resources to Contingent Resources and then to reserves, the process is defined by the three stages of exploration, appraisal and development.

Whilst McDaniel & Associates Consultants Ltd has independently assessed a Prospective Resource of Low 69 – Medium 328 – High 1,450 billion cubic feet of gas on a portion of UIL Energy's permits, these resources represent estimates only and the Company does not have any independently determined oil and gas or condensate reserves in its granted Exploration Permits.

Prospective Resources are defined as those quantities of oil and gas which are estimated on a given date to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development however, are undiscovered and as such carry significant exploration risk.

An exploration program will be undertaken by UIL Energy to discover these notional resources and reclassify them to Contingent Resources, which are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations but are not currently proven to be economic.

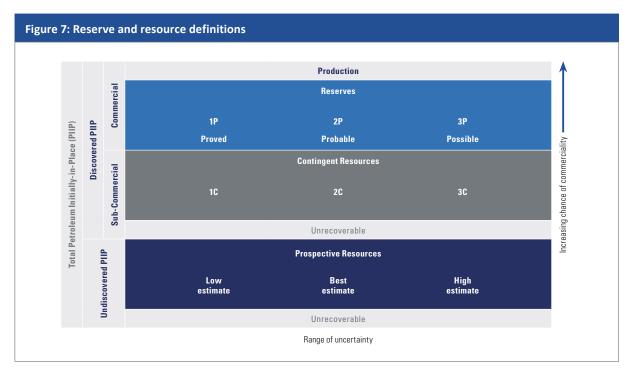
If the exploration program is successful in discovering sufficient quantities of Contingent Resources, an appraisal programme will be undertaken to prove them commercially viable and thereby re-classify them as reserves, which are defined as those quantities of oil and gas anticipated to be economically recoverable from discovered resources.

There is a different process for the conversion of resources to reserves between conventional (high permeability) reservoirs and unconventional (low permeability) reservoirs.

For conventional reservoirs this is done via relatively short term flow tests in the appraisal wells. For the unconventional reservoirs which often contain much larger accumulations covering large areas, a number of longer term production pilots may be required to demonstrate commerciality and quantification of reserves.

In general, estimates of economically recoverable oil and gas reserves and resources are based upon a number of variable factors and assumptions, such as comparisons with production from other producing areas, the assumed effects of regulation by governmental agencies, assumptions regarding future oil and gas prices and future operating costs, all of which may vary considerably from actual results. Actual production with respect to reserves may vary from such estimates and such variances could be material.

Reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from hydrocarbon reserves will in fact be realised or that an identified hydrocarbon resource will ever qualify as commercially viable which can be legally and economically exploited.



(L) WATER

The exploration for and production of oil and gas requires a reliable water source. UIL Energy will need to secure water licenses for the taking and using of water. There is a risk that the water allocation for a particular area will be exhausted. Where this is the case, UIL Energy will need to consider alternative options for obtaining water such as entering into an arrangement to lease a water entitlement from an existing water license holder. In addition to the amounts of water normally required in drilling activities, the use of hydraulic fracturing stimulation would require further volumes of water.

(M) OPERATIONAL AUTHORISATIONS

UIL Energy's gas and oil exploration and development activities and operations are focused on Western Australia and are subject to significant government oversight, regulation and control. In Australia, these operational regulations may vary between the States and Commonwealth of Australia governing bodies. Various levels of government (both State and those of the Commonwealth of Australia) have imposed rules and regulations that UIL Energy must comply with and from which UIL Energy must obtain and maintain certain licenses, authorisations and permits in respect of its exploration and development activities (collectively, Authorisations). The Authorisations, which are required by UIL Energy to carry out exploration and development, may not be granted or may be withdrawn or made subject to limitations.

Authorisations relate to, among other things, the protection of the environment, Aboriginal cultural heritage, native title rights, the protection of workers and the public. Changes in government, government policies and legislation could have a material adverse effect on UIL Energy's business, financial condition, results of operations and prospects.

Although the Authorisations may be renewed following expiry or granting, there can be no assurance that such Authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such Authorisations. If UIL Energy does not meet its work and/or expenditure obligations under its Authorisations, this may lead to dilution of its interest in, or the loss of such interest. UIL Energy cannot provide assurances that it will be able to obtain all necessary licenses, Authorisations and permits.

(N) AVAILABILITY OF DRILLING AND HYDRAULIC FRACTURING EQUIPMENT

UIL Energy's oil and gas exploration and development activities are dependent on the availability of drilling rigs and related equipment in the area of its Exploration Permits. Recent increases in oil and gas exploration activities in Australia have resulted in high demand and limited availability for some types of drilling rigs and equipment in certain areas which may result in delays to UIL Energy's planned exploration and development activities. UIL Energy continues to monitor rig availability for its planned drilling however it has not, at this time, secured the use of a drilling rig or hydraulic fracturing equipment for its operations.

(0) SEASONALITY AND WEATHER

Operations on a number of UIL Energy's Exploration Permits are affected by seasonal weather conditions. The Perth basin is optimally accessed during the summer months. The Canning basin is optimally accessed during the winter months (i.e. non cyclone season). The operations can occur during the less optimal seasons however the risk of reduced access, significant weather downtime and substantial cost overruns is increased during these times.

(P) COMMERCIALISATION AND INFRASTRUCTURE ACCESS

UIL Energy's potential future earnings, profitability, and growth are likely to be dependent upon UIL Energy being able to successfully implement some or all of its commercialisation plans detailed in Section 2. The ability for UIL Energy to do so is further dependent upon a number of factors, including matters which may be beyond the control of UIL Energy. UIL Energy may not be successful in securing identified customers or market opportunities.

UIL Energy's ability to sell and market its natural gas production will be negatively impacted should it be unable to secure adequate transportation and processing. Access will depend on the proximity and capacity of pipelines and processing facilities. Furthermore, UIL Energy may be required to develop its own pipeline infrastructure or secure access to third party pipeline infrastructure in order to deliver oil and gas to key markets or customers, or to directly deliver gas to key markets or customers. The development of its own pipeline infrastructure will be subject to UIL Energy obtaining relevant approvals including pipeline licences.

(Q) COMPETITION

Oil and gas exploration is highly competitive in Australia. UIL Energy competes with numerous other oil and gas companies in the search for oil and gas reserves and resources. Competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of UIL Energy. UIL Energy is protected from competition on Permits in which it holds exclusive exploration rights, however UIL Energy may face competition for drilling equipment and skilled labour. UIL Energy may also face competition from competitors on Permits in which it currently holds exploration rights, in the event that, as a condition of any Permit held, it is required to partially relinquish certain parts of the Permit. If UIL Energy elects to re-apply for these exploration rights, there is no guarantee that UIL Energy will be successful in its application against other competing offers.

(R) RELIANCE ON KEY PERSONNEL

UIL Energy's future value will depend in part on the performance of its senior management and other key personnel. UIL Energy's progress in pursuing its exploration and evaluation programs within the time frames and within the costs structure as currently envisaged could be adversely influenced by the loss of existing key personnel. Whilst UIL

Energy has taken steps to secure appropriately qualified senior management, the competition for qualified personnel in the oil and gas industry is notable and there can be no assurance that UIL Energy will be able to retain or hire all personnel necessary for the development and operation of its business. The impact of a loss of key staff would be dependent upon the quality and timing of the employee's replacement.

Although UIL Energy's key personnel have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring and developing oil and gas projects, there is no guarantee or assurance that they will be successful in implementing the Company's objectives.

(S) STAKEHOLDER MANAGEMENT

Onshore oil and gas exploration is currently subject to increased public scrutiny in various States in Australia. Community engagement, or the lack thereof, may have an impact on exploration and development and commercialisation opportunities for future discovered resources. UIL Energy is placing significant focus on establishment of strong relations with the relevant Native Title Parties and Land Councils to mitigate risks in this area.

(T) PETROLEUM RESOURCES RENT TAX

In 2012 the Australian Federal Government enacted legislation for the extension of the Petroleum Resources Rent Tax (**PRRT**) to onshore and offshore oil and gas projects, including Shale Gas projects.

The legislation applies a 40% tax on certain profits from oil and gas and liquids sales.

The operation of the PRRT could have a materially adverse effect on UIL Energy to the extent that it will apply to oil and gas produced and sold by UIL Energy from onshore production.

(U) LAND ACCESS

UIL Energy requires land access in order to perform exploration and development activities. Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act. UIL Energy will need to enter into compensation arrangements with private landowners or occupiers for the impact on private land by the proposed exploration activities. UIL Energy's operations may be adversely impacted or delayed in the event of a dispute with a land owner.

(V) LIMITED OPERATING HISTORY

UIL Energy is a relatively new exploration company with limited operating history. UIL Energy was incorporated in 2011 and has yet to generate a profit from its activities. Accordingly the Company has limited operating history in the oil and gas industry in Australia and has limited historical financial information and record of performance. The Company's business plan requires significant expenditure, particularly capital expenditure, during its oil and gas exploration phase. Any future revenue and profitability from the Company's business will be dependent upon the successful exploration and development of the Company's Permits, and there can be no assurance that the Company will achieve profitability in future.

(W) OVERLAPPING TENURE

UIL Energy's granted Permits and applications are overlapped by various mineral exploration permits, mining leases and geothermal exploration permits. Where overlapping Exploration Permits and mining leases exist in Western Australia there is no specific legislative requirement for UIL Energy to negotiate an arrangement with the competing holders. Overlapping tenure is commonly managed in Western Australia and does not present an insurmountable obstacle to exploration.

(X) EXPLORATION WORK PROGRAM COMMITMENTS

The terms of UIL Energy's granted Permits include minimum work program expenditure requirements and the estimated expenditure associated with that work program. Whilst proceeds of the Offer have been allocated for its exploration program to, in part, meet these requirements, the actual expenditure undertaken following the completion of the Offer may be insufficient to meet those requirements. There is a risk that where the terms of the Permits are not complied with, the Minister may exercise his discretion to cancel the Permit or not renew the Permit. UIL Energy intends to mitigate this risk by re-evaluating its exploration program and budget and if necessary, seeking further funding, or considering other options including, where appropriate and allowed by the terms of their issue, surrendering parts of its Permits or applying to the Minister for a variation and suspension of, and exemption from compliance with, the conditions of the Permit, in order to manage its minimum work program and expenditure obligations.

(Y) EXPLORATION MAPS AND DIAGRAMS

UIL Energy has commissioned and produced numerous diagrams and maps in this Prospectus to help identify and describe the Permits and the targets sought by UIL Energy on those Permits. Maps and diagrams should only be considered an indication of the current intention of the Directors in relation to targets and potential areas for exploration and drilling, which may change.

4.3 GENERAL RISKS

(A) SHARE MARKET PRICE AND LIQUIDITY RISK

There is currently no public market through which the Shares of UIL Energy may be sold. There can be no guarantee that an active trading market for the New Shares will develop and investors may not be able to resell the New Shares purchased under this Prospectus.

The price at which Shares will trade cannot be accurately predicted. The trading price of Shares can be affected by general market conditions as well as factors specifically affecting the Australian resources sector. Factors that could impact the trading price that are unrelated to UIL Energy's performance include domestic and global commodity prices and economic outlook, fiscal and monetary policies, currency movements, and market perceptions of the attractiveness of particular industries. The Shares carry no guarantee in respect of profitability, dividends, return on capital, price or liquidity at which they may trade once listed on the ASX.

(B) VOLATILITY OF OIL AND GAS PRICES

UIL Energy's possible future revenues will be derived mainly from the sale of gas and/or liquids. Consequently, UIL Energy's potential future earnings, profitability, and growth are likely to be closely related to the price of gas and liquids.

Historically, oil and gas prices have fluctuated in response to changes in the supply of and demand for gas and liquids, economic uncertainty, and a variety of additional factors beyond the control of UIL Energy. Such influencing factors include economic conditions in Australia and abroad, government regulation and sanctions, the actions of the Organization of the Petroleum Exporting Countries (OPEC), political stability in the Middle East and elsewhere and the availability of alternative fuel sources.

UIL Energy could receive a lower price for the sale of condensate than the prevailing price for oil at the time of any future production, depending on the agreed pricing terms in relation to any that are produced.

Any substantial and extended decline in the market price of oil and gas and condensate could have an adverse effect on UIL Energy's future revenues, profitability, cash flow from operations, carrying value of future reserves, and borrowing capacity amongst other factors. If the market price of oil and gas and condensate sold by UIL Energy were to fall below the costs of production and remain at such a level for any sustained period, UIL Energy would experience losses and could have to curtail or suspend some or all of its proposed activities. In such circumstances, UIL Energy would also have to assess the economic impact of any sustained lower commodity prices on the recoverability of existing reserves.

(C) LEGISLATIVE CHANGE

Oil and gas companies (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of UIL Energy.

Other than as set out in this Prospectus UIL Energy is not aware of any other current or proposed material changes in relevant regulations or policy.

(D) EXCHANGE RATE

The revenues, earnings, assets and liabilities of UIL Energy may be exposed adversely to exchange rate fluctuations. If UIL Energy achieves commercial production, the revenue from its products may be denominated in Australian dollars or a foreign currency. As a result, fluctuations in exchange rates could result in unanticipated and material fluctuations in the financial results of UIL Energy.

(E) LABOUR

UIL Energy will require skilled workers and engineers in order to operate its activities. The inability to secure the necessary labour resources, industrial disruptions, work stoppages and accidents in the course of UIL Energy's operations could result in losses and delays, which may adversely affect profitability.

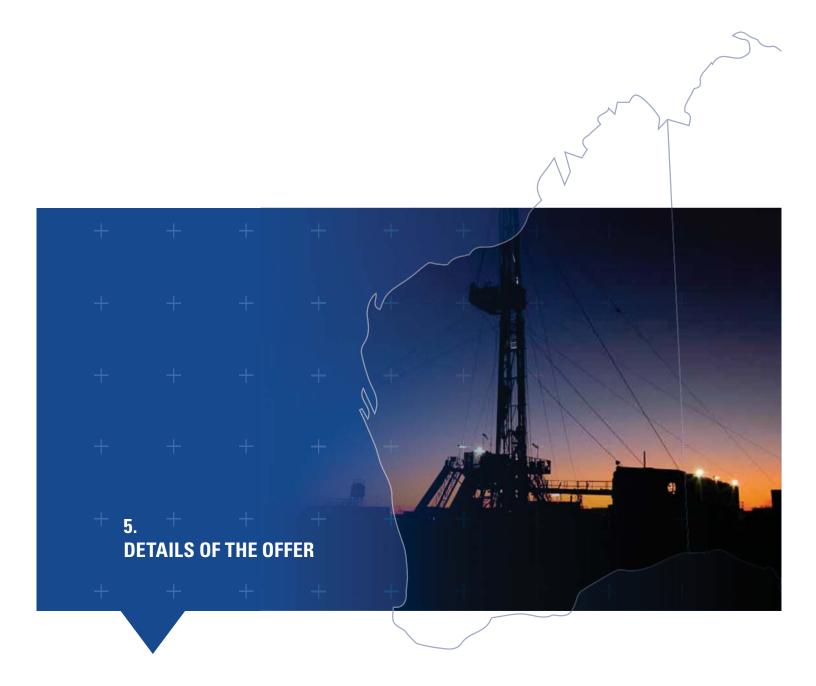
(F) INSURANCE ARRANGEMENTS

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fires, explosions, blowouts, gas releases and spills which could result in property or environmental damage and personal injury. UIL Energy intends to ensure that insurance is maintained in accordance with industry practice and having regard to the nature of activities being conducted.

No assurance however, can be given that UIL Energy will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any potential claims.

(G) UNFORESEEN EXPENSES

Whilst UIL Energy is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses or increases to existing expenditure plans were subsequently incurred, the expenditure proposals of UIL Energy may be adversely affected.



5.1 THE OFFER

The Offer is the offer of New Shares to raise a fixed amount of gross cash proceeds of between \$4.2 million and \$6 million through the issue of between 21,000,000 and 30,000,000 New Shares at the Offer Price of \$0.20 per New Share payable in full on Application. For each 2 New Shares subscribed for, investors will receive 1 free attaching New Option exercisable at \$0.20 on or before 31 December 2015. Each New Option is exercisable into 1 Share and 1 free Piggy-Back Option.

The Offer comprises the Retail Offer and the Institutional Offer.

The Retail Offer consists of the following two components:

- (a) The Broker Firm Offer, which is open only to Australian and New Zealand resident Retail Investors who have received a firm allocation from their Broker (Broker Firm Applicant); and
- (b) The General Public Offer, which is open to Retail Investors who are not Broker Firm Applicants.

The Institutional Offer consists of an invitation to bid for Shares made to Institutional Investors in Australia and other selected jurisdictions.

The allocation of New Shares between the Retail Offer and the Institutional Offer will be determined by the Company in consultation with the Lead Manager, having regard to the allocation policy outlined in Sections 5.11 and 5.12.

The New Shares offered under this Prospectus will be issued as fully paid Shares and, when issued, will rank equally in all respects with the existing Shares.

5.2 NEW OPTIONS

For every 2 New Shares subscribed for under the Offer, the Company will issue 1 free attaching New Option which may be exercised at the Offer Price on or before 31 December 2015.

Option holders who exercise their New Options by the expiry date, 31 December 2015, will be entitled to one Share and one Piggy-Back Option for every New Option exercised. The Piggy-Back Options will not be issued to holders of New Options who validly exercise their New Options until such time as the Company is permitted to issue a Cleansing Notice for the purposes of complying with the requirements of the Corporations Act, and in any event will not be issued prior to the end of the quarter during which they were exercised. Further information on the Piggy-Back Options is contained in Sections 5.3 and 12.3.

New Options will be issued to investors on the terms set out in Section 12.2. New Options will not be listed.

The Shares issued on exercise of the New Options will be issued as fully paid Shares and, when issued, will rank equally in all respects with the existing Shares.

5.3 PIGGY-BACK OPTIONS

The Company intends to make an application to ASX for permission for the Piggy-Back Options to be listed for official quotation by ASX. However, it does not intend to make such an application until such time as the requirements for quotation of additional securities set out in the Listing Rules are satisfied.

Piggy-Back Options will not be able to be transferred or exercised until such time as they are issued and at that time there may not be a viable market for on-sale unless they have been admitted to quotation by ASX. However, this will not preclude the exercise of the Piggy-Back Options.

The Piggy-Back Options will be issued to investors on the terms set out in Section 12.3.

The Shares issued on exercise of the Piggy-Back Options will be issued as fully paid Shares and, when issued, will rank equally in all respects with the existing Shares.

5.4 MINIMUM SUBSCRIPTION

The minimum subscription to the Offer is 21,000,000 New Shares at an issue price of \$0.20 per Share to raise \$4,200,000 before expenses of the Offer. UIL Energy will not issue any New Shares or New Options pursuant to this Prospectus until the minimum subscription is satisfied.

Should the minimum subscription not be reached by the Closing Date of this Prospectus, then the Offer will not proceed and all Applications will be withdrawn and Applicants will be repaid their Application Moneys. No interest will be paid on these moneys.

5.5 KEY DATES

Date of this Prospectus	19 August 2014
Offer Opening Date	2 September 2014
Offer Closing Date	17 September 2014
Allotment of New Shares and New Options	22 September 2014
Despatch of holding statements	22 September 2014
Anticipated date of trading of New Shares listed for quotation on ASX	25 September 2014

This timetable is indicative only. The Company, in consultation with the Lead Manager, reserves the right to vary the dates, which includes closing the Offer early or extending the close of the Offer, without notifying any recipients of the Prospectus or any Applicants. Investors are encouraged to submit their Applications as soon as possible after the Offer opens.

5.6 KEY OFFER TERMS

	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Offer Price per New Share	\$0.20	\$0.20
New Shares available under the Offer	21,000,000	30,000,000
New Options available under the Offer ¹	10,500,000	15,000,000
Shares on issue prior to the Offer ²	87,007,755	87,007,755
Anticipated percentage of Pre-Offer Shares to be escrowed ³	60%	60%
Options on issue prior to the Offer ⁴	9,900,000	9,900,000
Total issued Shares on completion of the Offer ²	108,007,755	117,007,755
Total Options on issue on completion of the Offer ^{5,6}	36,395,375	42,695,375
Capitalisation of Shares at the Offer Price	\$21.6 million	\$23.4 million
Estimated cash on completion of the Offer (before Offer costs)	\$4.4 million	\$6.2 million
Enterprise value at the Offer Price	\$17.2 million	\$17.2 million

- (1) A New Option will be issued for every two New Shares issued under the Offer. The terms of the New Options are set out in Section 12.2.
- (2) Excludes any Performance Rights on issue. Further details regarding the Performance Rights on issue are set out in Section 6.5.
- (3) There are 87,007,755 Shares on issue prior to the Offer. Of these the Company anticipates approximately 30,487,678 Shares (35% of Pre-Offer Shares) will be subject to ASX mandatory escrow on completion of the Offer. In addition 21,590,750 Shares (25% Pre-Offer Shares) are subject to voluntary escrow as described in Section 5.19. Further details with respect to escrow are set out in Section 5.19.
- (4) Details of the Options on issue are set out in Section 12.2.
- (5) Includes the anticipated grant of between 4,200,000 and 6,000,000 Options to the Lead Manager based on the Lead Manager raising the Minimum Subscription, as described in Section 11.2 and includes 1,000,000 Options to be issued to Bizzell Capital Partners (an entity related to Stephen Bizzell) in connection with the Corporate Advisory Services Agreement as described in Section 11.3.
- (6) Excludes any Piggy-Back Options issued on exercise of New Options. Further details regarding the Piggy-Back Options are described in Sections 5.3 and 12.3.

5.7 PURPOSE OF THE OFFER

UIL Energy intends to fund its initial exploration activities from the proceeds of the Offer. The Company's Proposed Work Program includes negotiating agreements to enable the formal grant of the four EPAs, geological and geophysical assessment, completing seismic work within EP 488 and EP 489 and gathering airborne gravity and magnetic data over SPA 26 and SPA 40. The Company will carry out its operations safely and will work to develop strong ties with communities in the areas in which it operates.

The Proposed Work Program outlined in Sections 1.6, 2.5 and 2.6 will ensure that UIL Energy satisfies the minimum expenditure requirements applying to EP 488 and EP 489. Under the current permit work commitments for EP 447 one exploration well to an estimated work commitment expenditure of \$5 million is due for completion by 22 August 2015 which is not reflected in the Proposed Work Program. Should the Company elect to drill this well, the Company will need to either fund the well through a third party farm-in or raise additional funds during the 15 month duration of the Proposed Work Program to meet the costs associated with drilling the well in order to keep the asset in good standing. Otherwise, the Company would require approval from the Department for a time extension to drill the well.

The Proposed Work Program is focused on carrying out the first stage of evaluation on some of its permits, with the view to establishing the prospectivity for conventional and unconventional targets. Interpretation of historic and newly acquired seismic will lead to generation of drilling prospects. Planning for the drilling of the prospects will also be carried out through utilisation of funds raised under this Offer. In parallel with the exploration, the Company will look to add high potential opportunities to its diversified portfolio.

The Directors of UIL Energy are satisfied that, upon completion of the Offer, when combined with its existing cash, the Company will have sufficient funds to meet its stated objectives under its Proposed Work Program. In addition, a listing on the ASX will provide UIL Energy with:

- (a) additional financial flexibility to pursue growth opportunities and improve access to capital markets as a result of its listing on the ASX; and
- (b) a liquid market for its Shares and an opportunity for others to invest in the Shares of UIL Energy.

The proceeds from the Offer will also be used for costs of the Offer and any other obligations of UIL Energy to be paid on completion of the Offer (net of tax refunds and deductions). This is described further in Section 5.8 below.

5.8 SOURCES AND USES OF FUNDS

Table 6: Sources and uses of funds		
SOURCES OF FUNDS	MINIMUM SUBSCRIPTION	MAXIMUM SUBSCRIPTION
Existing cash estimated as at 1 September 2014	\$0.2 million	\$0.2 million
Gross proceeds of the Offer	\$4.2 million	\$6.0 million
Total available cash	\$4.4 million	\$6.2 million
USES OF FUNDS ⁽¹⁾	AMOUNT	AMOUNT
PERTH BASIN		
EP 488 and EP 489: plan, obtain approvals and carry out approximately 100km of 2D seismic program	\$1.5 million	\$1.5 million
EP 447: geological and technical review in preparation for the drilling commitment	\$0.2 million	\$0.2 million
3D seismic program across EP 447, EP 488 or EP 489 to high grade potential conventional targets ²	-	\$1.7 million
CANNING BASIN		
SPA 26 and SPA 40 ³ : complete gravity magnetics surveys	\$0.8 million	\$0.8 million
CORPORATE		
Working capital for 15 months	\$1.3 million	\$1.3 million
Costs of the Offer	\$0.6 million	\$0.7 million
Total use of funds	\$4.4 million	\$6.2 million

⁽¹⁾ The Directors reserve the right to amend the Work Program and re-allocate expenditure depending upon a variety of factors including availability of contractor to fly gravity, negotiations with Native Title Parties and environmental approvals. See Section 4.2(c) relating to the risks around the Proposed Work Program.

⁽²⁾ The Directors reserve the right to allocate funds to the most appropriate seismic program based on geological information available at the time. This may also include 2D seismic on EPA 82 if this application is granted within the Proposed Work Program time frame.

⁽³⁾ UIL Energy is the preferred applicant for SPA 26 and SPA 40. See Sections 2.5 and 9 for further details regarding the SPAs.

5.9 CAPITAL STRUCTURE

The ownership structure of UIL Energy immediately prior to and on Listing will be as follows:

Table 7 Shares on Issue upon completion of the Offer								
	PRE-OFF	ER		POST-OFFER				
			MINIMU	M SUBSCR	IPTION	MAXIMU	MAXIMUM SUBSCRIPTION	
SHAREHOLDER	SHARES	%	SHARES	%	OPTIONS	SHARES	%	OPTIONS
Simon Hickey and associated entities ^{1,2}	18,199,044	20.92	18,199,044	16.85	2,842,075	18,199,044	15.55	2,842,075
John de Stefani and associated entities ^{1,2}	9,496,921	10.92	9,496,921	8.79	4,223,400	9,496,921	8.12	4,223,400
Stephen Bizzell and associated entities ^{1,2,3,4}	7,478,258	8.59	7,478,258	6.92	4,223,400	7,478,258	6.39	4,223,400
Keith Skipper ^{1,2}	_	_	_	_	500,000	_	_	500,000
Other Existing Investors ^{1,2}	51,833,532	59.57	51,833,532	47.99	9,906,500	51,833,532	44.30	9,906,500
New Shareholders ^{5,6,7}	n/a	n/a	21,000,000	19.45	14,700,000	30,000,000	25.64	21,000,000
Total ^{7,8}	87,007,755	100%	108,007,755	100%	36,395,375	117,007,755	100%	42,695,375

⁽¹⁾ Certain securities held by the Directors and by some of the other Existing Investors will be treated as restricted securities under the ASX Listing Rules. In addition 21,590,750 Shares held by these parties are subject to voluntary restriction agreements. The effect of the restrictions is that these securities will be unable to be sold or otherwise dealt with for periods of between six months and 24 months from Listing. See Section 5.19 for further details.

 $^{(2) \ \ \}textit{Excludes any Shares that may be subscribed for by Directors and Other \textit{Existing Investors under the Offer.}$

⁽³⁾ Includes 1,000,000 Options to be issued to Bizzell Capital Partners (an entity related to Stephen Bizzell) in connection with the Corporate Advisory Services Agreement. See Section 11.3 for further details.

⁽⁴⁾ Excludes 500,000 Options offered to Stephen Bizzell in connection with his appointment as Non-Executive Director. These Options have been offered subject to obtaining Shareholder approval under Part 2E of the Corporations Act at the next AGM of the Company. See Section 12.6(d) for further details.

⁽⁵⁾ Includes the anticipated grant of between 4,200,000 and 6,000,000 Options to the Lead Manager based on the Lead Manager raising the Minimum Subscription and Completion of the Offer, as described in Section 11.2.

⁽⁶⁾ Includes the anticipated grant of between 10,500,000 and 15,000,000 New Options to New Shareholders based on the Company raising the Minimum Subscription and Completion of the Offer. The terms of the New Options are described in Section 12.2.

⁽⁷⁾ Excludes any Piggy-Back Options. Further details regarding the Piggy-Back Options are described in Sections 5.3 and 12.3.

 $^{(8) \ \}textit{Excludes the 1,000,000 Performance Rights on issue. Further details regarding the Performance Rights on issue are described in Section 6.5.$

5.10 STRUCTURE OF THE OFFER

The Offer comprises:

- (a) the Retail Offer, consisting of the:
 - Broker Firm Offer, which is open only to Australian and New Zealand resident investors who have received a firm allocation from their Broker (Broker Firm Applicants); and
 - (2) The General Public Offer, which is open to Retail Investors who are not Broker Firm Applicants; and
- (b) the Institutional Offer, which consists of an invitation to bid for New Shares made to Institutional Investors in Australia and other selected jurisdictions.

The Company, in consultation with the Lead Manager, have discretion regarding the allocation of New Shares between the Retail Offer and the Institutional Offer, and may reject any Application, or allocate a lesser amount of New Shares than those applied for, in its absolute discretion.

5.11 THE RETAIL OFFER

Broker Firm Offer

- **Q**: Who can apply for the Broker Firm Offer?
- A: The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia or New Zealand. If you have been offered a firm allocation by a Broker, you will be treated as a Broker Firm Applicant in respect of that allocation. You should contact your Broker to determine whether they may allocate New Shares to you under the Broker Firm Offer.
- **Q:** How can I apply under the Broker Firm Offer?
- A: In order to receive their firm allocation, Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker, in accordance with their Broker's instructions. Applicants under the Broker Firm Offer must not send their Application Forms to the Registry.

If you elect to participate in the Broker Firm Offer, your Broker will act as your agent in submitting your Application Form and Application Monies to the Registry (which receives them on behalf of the Company). It will be your Broker's responsibility to ensure that your Application Form and Application Monies are received by the Registry by 5.00pm (AEST) on the Broker Firm Offer Closing Date or any earlier closing date as determined by your Broker. The Company, the Registry and the Lead Manager take no responsibility for any acts or omissions by your Broker in connection with your Application, Application Form or Application Monies.

The Broker Firm Offer closes at 5.00pm (AEST) on 17 September 2014.

Your broker may require you to provide your completed Application Form and Application Monies by an earlier date to allow sufficient time to process and submit your Application.

General Public Offer

- **Q**: Who can apply for the General Public Offer?
- A: The General Public Offer is open to Retail Investors, who are persons who have a registered address in Australia or New Zealand and are not Broker Firm Applicants. This includes clients of Brokers who apply for more New Shares than their broker firm allocation.
- **Q**: How can I apply under the General Public Offer?
- A: If you wish to participate in the General Public Offer, you should complete the Application Form accompanying this Prospectus. The Application Form must be completed and payment made in accordance with the instructions set out on the reverse side of the Application Form. Payment for the New Shares must be made in full at the Offer Price of \$0.20 per Share. Applicants may apply for a minimum parcel of 10,000 New Shares representing a minimum investment of \$2,000, and thereafter in multiples of 500 New Shares. Applications received by the Company that do not meet these requirements may be refused at the discretion of the Directors.

Completed Application Forms and accompanying cheques must be mailed to:

UIL Energy Ltd C/- Link Market Services Limited Locked Bag A14 South Sydney NSW 1235

OR

UIL Energy Ltd C/- Link Market Services Limited 1A Homebush Bay Drive Rhodes NSW 2138

Cheque(s) must be in Australian dollars and drawn on an Australian branch of an Australian bank, must be crossed "Not Negotiable" and must be made payable to "UIL Energy Limited". Payment by cheque will be deemed to be made when the cheque is honoured by the bank on which it is drawn. Completed Application Forms must be received at the above address by no later than the Closing Date, being 17 September 2014 (unless varied). UIL Energy reserves the right to close the Offer early without notice.

Application Monies

Applicants under the Retail Offer whose Applications are not accepted, or who are allocated a lesser dollar amount of New Shares than the amount applied for, will receive a refund of all or part of their Application Monies either from the Registry or from their Broker as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of New Shares calculated by dividing the Application Amount by the Offer Price. Where the Offer Price does not divide evenly into the Application Amount, the number of New Shares to be allocated will be determined by the Company in consultation with the Lead Manager or the Applicant's Broker as appropriate.

You should ensure that sufficient funds are held in the relevant account(s) to cover the amount of the cheque(s). If the amount of your cheque(s) or bank draft(s) for Application Monies (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is less than the amount specified on the Application Form, you may be taken to have applied for such lower dollar amount of New Shares as for which your cleared Application Monies will pay (and to have specified that amount on your Application Form) or your Application may be rejected.

Acceptance of Applications

An Application in the Retail Offer is an offer by the Applicant to UIL Energy to subscribe for New Shares for all or any of the Application Amount specified in the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form (including any conditions regarding quotation on the ASX including those in Section 5.19). To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

An Application may be accepted by UIL Energy in respect of the full number of New Shares specified in the Application Form or any of them, without further notice to the Applicant.

Acceptance of an Application will give rise to a binding contract.

Allocations under the Retail Offer

The allocation of New Shares between the Broker Firm Offer and the General Public Offer will be determined by UIL Energy in consultation with the Lead Manager.

With respect to the Broker Firm Offer, New Shares which have been allocated to Brokers for allocation to their Australian and New Zealand resident Retail Investor clients will be issued to the Applicants nominated by those Brokers (subject to the right of UIL Energy and the Lead Manager to reject or scale back Applications). It will be a matter for the Brokers how they allocate firm stock among their Retail Investor clients, and they (and not UIL Energy or the Lead Manager) will be responsible for ensuring that their Retail Investor clients who have received a firm allocation from them receive the relevant New Shares.

There is no assurance that any Retail Investor applying in the General Public Offer will be allocated any New Shares, or the number of New Shares for which it has bid. UIL Energy, in consultation with the Lead Manager, has discretion regarding the allocation of New Shares to Retail Investors and may reject any Application, allocate a lesser amount of New Shares than those applied for, or reject or aggregate multiple Applications in determining final allocations in its absolute discretion.

5.12 INSTITUTIONAL OFFER

The Institutional Offer consists of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for New Shares selected by the Lead Manager and the Company. The Lead Manager has separately advised Institutional Investors of the Application procedures for the Institutional Offer.

ALLOCATIONS UNDER THE INSTITUTIONAL OFFER

The allocation of New Shares among Applicants in the Institutional Offer will be determined by UIL Energy in consultation with the Lead Manager. UIL Energy, in consultation with the Lead Manager, will have absolute discretion regarding the basis of allocation of New Shares among Institutional Investors, and there is no assurance that any Institutional Investor will be allocated any New Shares, or the number of New Shares for which it has bid. The allocation policy is influenced by the following factors:

- (a) the number of New Shares bid for by particular bidders;
- (b) the timeliness of the bid by particular bidders;
- (c) UIL Energy's desire for an informed and active trading market following listing on the ASX;
- (d) UIL Energy's desire to establish a wide spread of Institutional Investor Shareholders;
- (e) overall level of demand under the Broker Firm Offer and Institutional Offer;
- (f) the size and type of funds under management of particular bidders;
- (g) the likelihood that particular bidders will be long-term Shareholders: and
- (h) any other factors that UIL Energy and the Lead Manager consider to be relevant.

5.13 ISSUE OF NEW SHARES AND NEW OPTIONS

The issue of the New Shares and New Options offered by this Prospectus will take place as soon as practicable after the Closing Date of the Offer. Application Monies will be held by UIL Energy in trust for each Applicant until the New Shares and New Options are issued. Any interest earned on the Application Monies will be for the benefit of UIL Energy and

will be retained by UIL Energy irrespective of whether New Shares and New Options are issued. Where the number of New Shares issued is less than the number applied for, the surplus money will be returned by cheque within 30 days of the Closing Date for Applications. Where no issue is made, the full Application Monies will be returned in full by cheque within 30 days of the Closing Date for Applications. Interest will not be paid on money refunded. Initial holding statements for the New Shares and New Options will be dispatched to holders as soon as possible after issue.

5.14 ASX LISTING OF NEW SHARES

Application will be made within seven days of the date of this Prospectus to ASX for the New Shares issued pursuant to this Prospectus, as well as all other existing issued Shares in UIL Energy, to be granted Official Quotation by ASX.

The fact that ASX may admit UIL Energy to its Official List is not to be taken in any way as an indication of the merits of UIL Energy or of the New Shares offered for subscription under this Prospectus. Official Quotation, if granted, of the New Shares offered or issued by this Prospectus will commence as soon as practicable after the issue of holding statements to allottees. ASX takes no responsibility for the contents of this Prospectus, including the experts' reports which it contains. In the event that ASX does not grant permission for the Official Quotation of the Shares within three months after the date of issue of this Prospectus, none of the New Shares offered by this Prospectus will be allotted or issued unless ASIC grants UIL Energy an exemption permitting the allotment or issue. If no allotment or issue is made, all Application Monies for the New Shares under the Offer will be refunded without interest within the time period set out under the Corporations Act.

The Company does not intend to make an application for the Official Quotation by ASX of the New Options.

5.15 TRADING ON ASX

It is the responsibility of each Applicant or bidder to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. The Company, the Lead Manager and the Registry disclaim all liability whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding whether on the basis of confirmation of allocation provided by them, by a Broker or otherwise.

Shares are expected to commence trading on ASX on a normal settlement basis on or about 25 September 2014.

5.16 CHESS AND ISSUER SPONSORED REGISTER

The Company will apply to be admitted to participate in CHESS, in accordance with the Listing Rules and the ASX Settlement Operating Rules. On admission to CHESS, UIL Energy will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together will make up UIL Energy's principal register of Shares.

The Company will not issue certificates to Shareholders. Shareholders who elect to hold Shares on the issuer sponsored sub-register will be provided with a holding statement (similar to a bank account statement), which sets out the number of Shares allotted to the Shareholder under this Prospectus. For Shareholders who elect to hold Shares on the CHESS sub-register, UIL Energy will issue an advice that sets out the number of Shares allotted to the Shareholder under this Prospectus. At the end of the month of allotment, CHESS (acting on behalf of UIL Energy) will provide Shareholders with a holding statement that confirms the number of Shares held. A holding statement (whether issued by CHESS or UIL Energy) will also provide details of a Shareholder's Holder Identification Number (HIN) in the case of a holding on the CHESS sub-register or Shareholder Reference Number (SRN) in the case of a holding on the issuer-sponsored sub-register.

Following distribution of these initial holding statements to all Shareholders, a holding statement will also be provided to each Shareholder at the end of any subsequent month during which the balance of that Shareholder's holding of Shares changes.

5.17 WITHDRAWAL OF OFFER

UIL Energy may withdraw the Offer at any time before the issue of New Shares to successful Applicants in the Retail Offer or the Institutional Offer. If the Offer does not proceed, all relevant Application Monies will be refunded (without interest). UIL Energy and the Lead Manager also reserve the right to close the Offer, extend the Offer, accept late Applications or reject any Application.

5.18 ELECTRONIC PROSPECTUS

The Offer constituted by this Prospectus in electronic form is available only to persons receiving this Prospectus within Australia. Persons who receive a copy of this Prospectus in electronic form at www.uilenergy.com.au are entitled to obtain a paper copy of the Prospectus (including any relevant accompanying Application Form) free of charge, during the Offer period, by contacting UIL Energy on +61 7 3007 9600 between 9.00am and 5.00pm (AEST) Monday to Friday.

5.19 RESTRICTED SECURITIES

ASX RESTRICTED SECURITIES

It is expected that ASX will, as a condition of granting UIL Energy's application for Official Quotation of its Shares, classify certain securities of UIL Energy held by Existing Investors as restricted securities, which has potential to have an impact on the liquidity of trading in securities of the Company. If so, prior to Official Quotation of UIL Energy's Shares, the holders of the securities that are to be classified as restricted securities will be required to enter into appropriate restriction agreements with UIL Energy.

UIL Energy anticipates that:

- (a) securities (including Shares, Options and Performance Rights) issued to Seed Capital Investors who are related parties or promoters of UIL Energy may be subject to escrow for a period of 24 months from Listing;
- (b) approximately 1.7% of the securities issued to Seed Capital Investors (other than related parties of UIL Energy) within 12 months of Listing will be subject to escrow for a period of 12 months from the date the securities were issued; and
- (c) securities held by certain consultants to the Company may be subject to escrow for a period of up to 24 months from the date of Listing.

VOLUNTARY RESTRICTION AGREEMENTS

In addition to the mandatory escrow imposed by the ASX, a number of Seed Capital Investors are subject to voluntary restriction agreements with UIL Energy under which they are each restricted from dealing with Shares held by them prior to the date of the Offer (**Prescribed Restricted Securities**) for:

- (a) 6 months from the date of Listing in respect of 50% of the Prescribed Restricted Securities; and
- (b) 12 months from the date of Listing in respect of the remaining 50% of the Prescribed Restricted Securities.

There are limited circumstances in which the restrictions will be released, namely:

- (a) a takeover bid is made in respect of the Company by a person other than the restricted party provided that the securities must continue to be subject to the restrictions if the bid does not become unconditional; or
- (b) a scheme of arrangement is implemented in respect of the Company under the Corporations Act with a view to the person other than the restricted party acquiring all of the issued share capital of the Company.

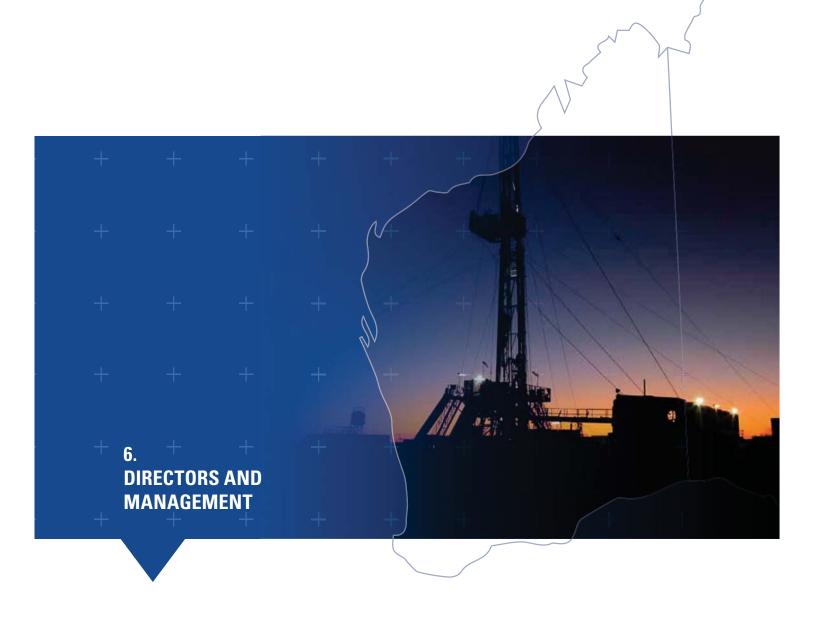
In aggregate, 21,590,750 Shares held by Seed Capital Investors are subject to voluntary restriction arrangements. On completion of the Offer this will represent approximately between 20% and 18.5% of all the Shares (depending upon whether the minimum or maximum subscription amount is raised). This is not expected to have a material effect on the liquidity of trading in Shares on the ASX.

5.20 RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS

The distribution of this Prospectus outside of Australia and New Zealand may be restricted by law. No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit an offering of the Shares, in any jurisdiction outside Australia and New Zealand.

This Prospectus is not intended to, and does not, constitute an offer of securities in any place which, or to any person to whom, the making of such offer would not be lawful under the laws of any jurisdiction outside Australia and New Zealand. Applicants resident in countries outside Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required, or other formalities need to be observed to enable them to apply for New Shares. The failure to comply with any applicable restrictions may constitute a violation of securities law in those jurisdictions.

Further details on these restrictions are set out in Section 12.10.



6. DIRECTORS AND MANAGEMENT

6.1 BOARD OF DIRECTORS

The Directors of UIL Energy bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience.

NAME	EXPERIENCE, QUALIFICATIONS AND EXPERTISE
Simon Hickey	Simon Hickey is the founder and Chairman of UIL Energy.
(Chairman) B.Comm, Grad Dip Applied Finance & Investment	He has more than 20 years experience in the resources industry and has been a director of several ASX and TSX listed companies. In addition to his experience with public companies, Mr Hickey has established a number of successful private businesses in Australia and North America.
	Mr Hickey has a Bachelor of Commerce and a Graduate Diploma of Applied Finance and Investment. He is also a member of the Australian Institute of Company Directors.
John de Stefani (Managing Director) B.Bus, MBA, MAICD	Prior to joining UIL Energy, Mr de Stefani was CEO of Bow Energy Ltd during market cap growth phase of \$50 million to \$550 million and subsequently acquired by Arrow Energy in January 2012. Prior to Bow, he spent over eight years as GM/Director of an expanding power generation business.
	Mr de Stefani is a chartered accountant with 20 years of business experience. He has a proven successful track record in project finance, business development and asset management with over eight years international energy experience working on projects in the US, UK, Egypt, Turkey and the Philippines.
	Mr de Stefani has a Bachelor of Business from the Queensland University of Technology and a MBA from the London Business School. He is a member of the Institute of Chartered Accountants of Australia and the Australian Institute of Company Directors.
Stephen Bizzell (Non-Executive Director) B.Comm, MAICD	Stephen Bizzell is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He is also a Non-executive Director of Armour Energy Ltd, Diversa Ltd, Titan Energy Services Ltd, Stanmore Coal Ltd and Queensland Treasury Corporation and Chairman of Laneway Resources Ltd and Renascor Resources Limited.
	Mr Bizzell was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for \$3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also a founding director of Bow Energy Ltd until its \$550 million takeover.
	Mr Bizzell qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions.
	Mr Bizzell has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.
Keith Skipper (Non-Executive Director)	Keith Skipper is a geologist, company executive and corporate non-executive director with over 40 years of diverse resource industry experiences. He holds a B.Sc. (Hons) degree in geology from Reading University (U.K.) and a M.Sc. (Geology) from McMaster University (Ontario, Canada).
B.Sc Hons (Geology), M.Sc (Geology)	Mr Skipper is a member of the Australian Institute of Company Directors, member of the American Association of Petroleum Geologists, the Petroleum Exploration Society of Australia and a registered Professional Geologist in Alberta, Canada.
	He is an Australian citizen whose career experiences include evaluations and operations in many of the world's petroleum basins including periods with AMOCO (acquired by BP), Bridge Oil Limited in Sydney, Australia, PanCanadian Petroleum Limited (now part of EnCana), and Antrim Energy Inc. He is currently a director of publicly listed company Samson Oil and Gas Limited. Mr Skipper advises and consults to various academic, financial and corporate entities on oil and gas exploration, including coal seam gas and shale resource projects.

6.2 CONSTRAINTS ON AVAILABILITY

Save as noted in this Prospectus, each Director has confirmed to UIL Energy that he anticipates being able to perform his duties as Director of UIL Energy without constraint from other commitments.

6.3 INDEPENDENCE OF DIRECTORS

The Board considers that Keith Skipper is free from any business or any other relationship that could materially interfere with, or reasonably be perceived to interfere with, the independent exercise of his judgment and is able to fulfil the role of Independent Director for the purposes of the ASX Corporate Governance Principles and Recommendations (Third Edition).

John de Stefani, Simon Hickey and Stephen Bizzell are not currently considered by the Board to be able to fulfil the role

of Independent Directors. John de Stefani is the Managing Director of UIL Energy and expects to hold a relevant interest in approximately 8.8% to 8.1% of the Shares in the Company on completion of the Offer (depending upon whether the minimum or maximum subscription amount is raised). Simon Hickey is the Chairman of the Company and expects to hold a relevant interest in approximately 16.9% to 15.6% of the Shares in the Company on completion of the Offer. Stephen Bizzell is a Non-Executive Director of the Company and expects to hold a relevant interest in approximately 6.9% to 6.4% of the Shares in the Company on completion of the Offer.

6.4 SENIOR MANAGEMENT TEAM

The senior management team of the Company has been assembled to incorporate the required expertise and skills to foster the Company's corporate and project development.

NAME	EXPERIENCE, QUALIFICATIONS AND EXPERTISE
Vic Palanyk (Chief Operating	Vic is a senior executive with more than 35 years experience in the resources industry including petroleum and mining in Australia, Asia, North America, Europe and the Middle East.
Officer) B.Sc Specialization Geology	Mr Palanyk has over 20 years experience in all facets of unconventional petroleum including coal seam gas (CSG), Shale oil/gas and Heavy Oil.
donegy	He was the Chief Operating Officer of Bow Energy Ltd until its sale to Arrow Energy and held management positions with Exoma, QGC, Anglo American and Rio Tinto.
	He is a Member of Society of Petroleum Engineers, American Association of Petroleum Geologists and Petroleum Exploration Society of Australia.
Duncan Cornish (CFO and Co-Company Secretary) B.Bus (ACCTCY), ACA	Mr Cornish is an accomplished and highly regarded corporate administrator and manager. He has many years experience in pivotal management roles in capital raisings and stock exchange listings for numerous companies on the ASX, AIM Market of the London Stock Exchange and the Toronto Stock Exchange. Highly skilled in the areas of company financial reporting, company regulatory, secretarial and governance areas, business acquisition and disposal due diligence, he has worked with Ernst & Young and PricewaterhouseCoopers both in Australia and the UK.
	Mr Cornish is currently Company Secretary and CFO of other listed companies on the ASX and TSX-V where he has assisted in their listing and capital raising. He is supported by a small experienced team of accountants and administrators.
Drew Speedy (Financial Controller and Co-Company Secretary) B.Bus, CPA, AGIA	Mr Speedy has 13 years experience in finance roles within the resources industry predominately in ASX listed upstream oil and gas companies. He was Financial Controller of Bow Energy Ltd until its sale to Arrow Energy and has held finance roles with other unconventional gas companies including Arrow Energy, Blue Energy and most notably Queensland Gas Company during the company's market cap growth phase from \$20 million to ~\$2 billion.
	He currently holds a senior finance and company secretary role within the Australian operations of a JSE listed resources company where he is involved with financial, governance and commercial activities.
	Mr Speedy has a Bachelor of Business from the Queensland University of Technology. He is a member of the Certified Practicing Accountants and the Governance Institute of Australia.

6.5 EXECUTIVE DIRECTORS' AND MANAGEMENT'S REMUNERATION

The Company has entered into executive employment arrangements with John de Stefani and Vic Palanyk. In addition, the Company has entered into a consultancy agreement with MITA Consulting LLC, a related entity of Simon Hickey, for business development services (in addition to fees paid to Mr Hickey in connection with his appointment as Chairman). Details of the interests, benefits and key terms of these agreements are set out below:

	JOHN DE STEFANI	VIC PALANYK¹	SIMON HICKEY (THROUGH MITA CONSULTING LLC) (MITA)
Position	Managing Director	Chief Operating Officer	Consultancy Agreement for business development services
Total Fixed Remuneration (TFR)	\$224,000 per annum (exclusive of statutory superannuation)	\$168,000 per annum based on a minimum of 3 days a week (exclusive of statutory superannuation)	\$48,000 per annum based on a minimum of 10 days of service per quarter ²
Long Term Incentive schemes and benefits	John is entitled to both short-term incentives (determined by achievement against Key Performance Indicators) and long-term incentives (determined by the Board to align the interests of Shareholders' interests through the allocation of equity based incentives) in accordance with the Company's Incentive Plan. As at the date of this Prospectus John has been granted a total of 430,000 performance rights (with each right entitling the holder to be issued one Share at no cost) (Performance Rights), which will vest and be capable of conversion into Shares at different stages based on the performance of the business and Shareholder value (see below for further details).	Vic is entitled to both short-term incentives (determined by achievement against Key Performance Indicators) and long-term incentives (determined by the Board to align the interests of Shareholders' interests through the allocation of equity based incentives) in accordance with the Company's Incentive Plan. As at the date of this Prospectus Vic has been granted a total of 330,000 performance rights (with each right entitling the holder to be issued one Share at no cost) (Performance Rights), which will vest and be capable of conversion into Shares at different stages based on the performance of the business and Shareholder value (see below for further details).	At the discretion of the Board MITA may be granted Performance Rights under the UIL Energy Ltd Performance Rights Plan provided MITA meets the eligibility criteria set out in the plan. As at the date of this Prospectus MITA has been granted a total of 240,000 performance rights (with each right entitling the holder to be issued one Share at no cost) (Performance Rights), which will vest and be capable of conversion into Shares at different stages based on the performance of the business and Shareholder value (see below for further details).
Annual discretionary bonus	Up to 40% of TFR based upon performance with respect to agreed personal and business KPIs.	Up to 35% of TFR based upon performance with respect to agreed personal and business KPIs.	Nil
Salary review	The Board will review John's salary package and incentive scheme annually.	The Managing Director and Board will review Vic's salary package and incentive scheme annually.	MITA's consultancy fees will be reviewed 1 year after commencement
Term	Employment will continue until terminated by notice in accordance with the provisions of the agreement.	Employment will continue until terminated by notice in accordance with the provisions of the agreement.	The Consultancy agreement will commence on the date the Company lodges a Prospectus with ASIC and expire 2 years from the commencement date.

Termination UIL Energy or John may terminate the agreement at any time upon giving 6 months' notice. UIL Energy may pay John an amount calculated in proportion to his base pay and benefits in lieu of notice for any period of short notice. In addition UIL Energy may in lieu of notice) if John engages in any act or omission constituting serious misconduct UIL Energy or Vic may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement of any terminate the agreement impossion constituting serious misconduct UIL Energy may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement immediately in proportion to his base pay and benefits in lieu of notice for any period of short notice. In addition UIL Energy may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement immediately in proportion to his base pay and benefits in lieu of notice for any period of short notice. In addition UIL Energy may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement at any time upon giving 90 days notice and may terminate the agreement immediately if, amongst other things, MITA breaches the agreement and fails to remedy the breach within 7 days, becomes neglectful of its duties, or becomes insolvent.		JOHN DE STEFANI	VIC PALANYK ¹	SIMON HICKEY (THROUGH MITA CONSULTING LLC) (MITA)
or becomes bankrupt.	Termination	the agreement at any time upon giving 6 months' notice. UIL Energy may pay John an amount calculated in proportion to his base pay and benefits in lieu of notice for any period of short notice. In addition UIL Energy may terminate the agreement immediately (without pay in lieu of notice) if John engages in any act or omission constituting serious misconduct or becomes	the agreement at any time upon giving 3 months' notice. UIL Energy may pay Vic an amount calculated in proportion to his base pay and benefits in lieu of notice for any period of short notice. In addition Vic may terminate the agreement immediately if there is a significant diminution of his benefits and UIL may terminate immediately (without pay in lieu of notice) if Vic engages in any act or omission	agreement at any time upon giving 90 days notice and may terminate the agreement immediately if, amongst other things, MITA breaches the agreement and fails to remedy the breach within 7 days, becomes neglectful of its duties,

- (1) Vic Palanyk is owed \$125,000 plus superannuation as consideration for deferred salary amounts over the previous 2 years. These amounts are payable over 3 months from the time the Company's Shares are quoted on the ASX.
- (2) The Company will pay a fee of \$1,200 per day to MITA Consulting LLC for services provided in excess of the minimum number of days per quarter.

Performance Rights

There are two hurdles that determine the number of Performance Rights to vest for John de Stefani, Vic Palanyk, and MITA Consulting LLC. These are:

- (a) The employee or consultant must remain employed or engaged by the Company for two years after the Performance Rights are issued; and
- (b) The Company must achieve a minimum total shareholder return (TSR) relative to the TSR of a comparative group of other oil and gas companies and the S&P/ASX Energy Index over the 2 year vesting period. If the TSR ranking of the Company over the 2 year vesting period is:
 - Less than the 50th percentile, then nil Performance Rights vest;
 - (2) Equal to the 50th percentile, then 50% of the Performance Rights vest;
 - (3) Greater than the 50th percentile and through to the 75th percentile, then vesting increases on a straight line basis from 50% to 75%; and
 - (4) Greater than the 75th percentile, then 100% of Performance Rights vest.

6.6 DIRECTORS' FEES

The Constitution of the Company provides that the Non-Executive Directors are entitled to a fixed sum of Directors' fees. The aggregate maximum remuneration for Non-Executive Directors currently determined by the Company is \$500,000 per annum. Pursuant to the terms of the Non-Executive Director letters of appointment (refer to Section 11.6), the Company has agreed to pay \$36,000 in annual Directors' fees to both Keith Skipper and Stephen Bizzell, in addition, Simon Hickey will be paid \$48,000 in annual Directors' fees as Chairman of the Company.

In addition to Director fees received by Simon Hickey as Chairman of the Company, Mr Hickey will receive additional fees through a related entity, MITA Consulting LLC, for services involving business development, strategy, acquisitions and divestiture opportunities and their implementation, capital raising, stakeholder communications, investor relations, and other corporate and operational matters as required. Further information with respect to the fees payable to MITA Consulting LLC is set out in Section 6.5.

In addition, the Company has issued or offered Director Options to all Directors. Details of the Director Options are set out at Sections 6.8 and 12.2.

At present, the Board of the Company is constituted by a Managing Director, the Chairman and two Non-Executive Directors. Mr de Stefani has been engaged by the Company pursuant to an employment agreement, the terms of which are summarised above at Section 6.5. The Board has agreed that Mr de Stefani shall not be paid a Director's fee in addition to the fees payable pursuant to his employment agreement.

6.7 REMUNERATION AND ENTITLEMENTS

If a Non-Executive Director performs extra services, which in the opinion of the Board are outside the scope of the ordinary duties of the Director, the Company may remunerate that Director by payment of an additional sum for those services and exertions. However, no payment can be made if the effect would be to exceed the maximum aggregate amount payable to Non-Executive Directors.

A Non-Executive Director is also entitled to be paid travelling and other expenses properly incurred by them in attending Director's or general meetings of the Company or otherwise in connection with the business of the Company.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.8 DIRECTORS' SHAREHOLDINGS

Directors are not required under the Constitution to hold any Shares in the Company.

The Directors (and their associates) are entitled to apply for New Shares in the Offer.

The interests of Directors and their associates in the securities of the Company at the date of this Prospectus are as follows:

DIRECTOR	NUMBER OF SHARES ¹	NUMBER OF OPTIONS ^{1,2}	NUMBER OF PERFORMANCE RIGHTS ³
Simon Hickey (Chairman)	18,199,044	2,842,075	240,000
John De Stefani (Managing Director)	9,496,921	4,223,400	430,000
Stephen Bizzell ⁴ (Non- Executive Director)	7,478,258	4,223,400	-
Keith Skipper (Non- Executive Director)	-	500,000	-

- (1) These securities may be subject to ASX escrow conditions governing their resale (see Section 5.19).
- (2) Further details of these Options are set out in Section 12.2.
- (3) Further details of these Performance Rights are set out in Section 6.5.
- (4) Excludes 500,000 Options offered to Stephen Bizzell in connection with his appointment as Non-Executive Director. These Options have been offered subject to obtaining Shareholder approval under Part 2E of the Corporations Act at the next AGM of the Company. See Section 12.6 for further details.

6.9 CORPORATE GOVERNANCE

(A) INCORPORATION OF CORPORATE GOVERNANCE MATERIAL

For the purposes of this Prospectus, the Company relies upon the provisions in Section 712 of the Corporations Act which enables the Company to incorporate material by reference into this Prospectus. Accordingly rather than contain all the information that may be required to be set out in a standard document of this type in relation to the corporate governance practices of the Company, it incorporates by reference the Corporate Governance Charter of UIL Energy (Corporate Governance Charter) lodged with ASIC on 19 August 2014.

The Corporate Governance Charter can be obtained, at no cost, from the Company's registered office and is also available on the Company's website, www.uilenergy.com.au.

The following summary is provided pursuant to Section 712(2) of the Corporations Act.

(B) GENERAL

The Directors are responsible for protecting the rights and interests of the Shareholders through the implementation of sound strategies and action plans and the development of an integrated framework of controls over the Company's resources, functions and assets. The Board will constantly review and monitor the performance of the Board and the Company and implement changes as required.

Other than the Audit and Risk Management Committee, the Company does not have any formally constituted committees of the Board of Directors. The Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of any other special or separate committees at this time. The Board as a whole is able to address the governance aspects of the Company's activities and ensure that it adheres to appropriate ethical standards. This statement outlines the main corporate governance policies which the Directors have adopted.

(C) COMPOSITION OF THE BOARD

The Board comprises four Directors. The names, qualifications and relevant experience of each Director are set out in Section 6.1. There is no requirement for any Director's shareholding qualification.

As the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically and the optimum number of Directors required to adequately govern the Company's activities determined within the limitations imposed by the Constitution.

(D) BOARD MEMBERSHIP

The Board acts as a nomination committee. Members of the Board have been brought together to provide a blend of qualifications, skills and national and international experience required for managing a company operating within the oil & gas industry.

(E) APPOINTMENT AND RETIREMENT OF DIRECTORS

The Constitution provides that Directors are subject to retirement by rotation, by order of length of appointment. Retiring Directors are eligible for re-election by Shareholders at the annual general meeting of the Company.

(F) DUTIES OF DIRECTORS

Directors are expected to accept all duties and responsibilities associated with the running of a public company, to act in the best interests of the Company and to carry out their duties and responsibilities with due care and diligence.

Directors are required to take into consideration conflicts when accepting appointments to other boards. Accordingly, Directors wishing to accept appointment to other boards must first seek approval from the Board, approval of which will not be unreasonably withheld.

(G) INDEPENDENT PROFESSIONAL ADVICE

The Board has determined that individual Directors may, in appropriate circumstances, engage outside advisers at the Company's expense. The engagement of an outside adviser is subject to the prior approval of the Board, which will not be unreasonably withheld.

(H) COMPENSATION ARRANGEMENTS

Details regarding the current remuneration of Directors are set out in Section 6.6.

The Board is responsible for reviewing and negotiating the compensation arrangements of senior executives and consultants.

(I) INTERNAL MANAGEMENT CONTROLS

The Company's assets are located in Australia. Control over the operations is exercised by senior management. The Board also monitors the performance of outside consultants engaged from time to time to complete specific projects and tasks.

(J) IDENTIFYING SIGNIFICANT BUSINESS RISKS

The Board regularly monitors the operational and financial performance of the Company's activities. It monitors and receives advice on areas of operation and financial risk and considers strategies for appropriate risk management. All operational and financial strategies adopted are aimed at improving the value of the business, however, the Directors recognise that oil and gas exploration and evaluation is inherently risky.

(K) CORPORATE GOVERNANCE CHARTER

The Company has adopted a Corporate Governance Charter in order to implement and maintain a culture of good corporate governance both internally and in its external dealings.

The Corporate Governance Charter can be obtained, at no cost, from the Company's registered office and is also available on the Company's website, www.uilenergy.com.au.

Where the Company's Corporate Governance practices do not correlate with the practices recommended by the ASX Corporate Governance Council in the Corporate Governance Principles and Recommendations 3rd Edition, released in 2007 (as amended in 2010 and 2014), the Company is working towards compliance however it does not consider that all practices are appropriate for the Company due to the size and scale of the Company's operations at present. As the Company's activities develop in size, nature and scope the implementation of additional corporate governance structures will be given further consideration.

The Board is of the view that with the exception of the departures to the Council's Corporate Governance Principles and Recommendations set out below, it otherwise complies with all of the Council's Corporate Governance Principles and Recommendations.

ASX PRINCIPLES AND RECOMMENDATIONS

Principle 1 — Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.5 — A listed entity should have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and disclose the policy or summary of that policy.

Summary of the Company's position

The Company has not adopted a formal diversity policy. The Company respects and values the competitive advantage of and the benefit of its integration throughout the Company in order to enrich the Company's perspective, improve corporate performance, increase Shareholder value and maximise the probability of achievement of the Company's goals. However given the size and nature of the Company's operations, the Company has not implemented a formal policy with respect to diversity.

ASX PRINCIPLES AND RECOMMENDATIONS

Principle 2 – Structure Board to Add Value

A listed entity should have a board of appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

Recommendation 2.1 — The board of a listed entity should have a nomination committee which has at least three members, a majority of whom are independent directors; and is chaired by an independent director.

Summary of the Company's position

The Board believes the Company is not currently of the size to justify the formation of a separate Nominations Committee. The Board currently performs the functions of a Nominations Committee and where necessary will seek the advice of external advisors in relation to this role. While the Company does not presently comply with Recommendation 2.1, the Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the constitution of a Nominations Committee to assist the Board in relation to the appointment of Directors and senior management.

Recommendation 2.2 — A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Summary of the Company's position

The Board believes the Company is not currently of the size to justify the implementation of a board skills matrix. While the Company does not presently comply with Recommendation 2.2, the Board shall, upon the Company reaching the requisite corporate and commercial maturity create and disclose a board skills matrix setting out the mix of skills and diversity that the board is looking to achieve.

Recommendation 2.4 — A majority of the board of a listed entity should be independent directors.

Summary of the Company's position

Presently under the ASX Guidelines it is considered that there is only one independent Director, being Mr Keith Skipper. While the Company does not presently comply with Recommendation 2.4, the Company may consider appointing additional independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with Recommendation 2.4 will not be detrimental to the Company.

Recommendation 2.5 — The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

Summary of the Company's position

The current Chairman of the Board, Simon Hickey is a substantial shareholder of the Company, and through a related entity, provides consultancy services to the Company and is therefore not considered by the Company to be an independent Director. While the Company does not presently comply with Recommendation 2.5, the Company may, upon appointing additional Directors (as and when required) consider appointing an independent Director to the Chair. The Company believes that given the size and scale of its operations, non-compliance by the Company with Recommendation 2.5 will not be detrimental to the Company and will continue to review its position with respect to compliance.

Principle 4 – Safeguard integrity in corporate reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1 — The board of listed entity should have an audit committee which has at least three members all of whom are non-executive directors and a majority of whom are independent directors, and is chaired by an independent director who is not the chair of the board.

Summary of the Company's Position

Presently under the ASX Guidelines it is considered that there is only one independent Director appointed to the Audit Committee, being Mr Keith Skipper. While the Company does not presently comply with Recommendation 4.1, the Company may consider appointing additional independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with Recommendation 4.1 will not be detrimental to the Company.

Principle 7 – Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1 — The board of listed entity should have a risk committee which has at least three members, a majority of whom are independent directors, and is chaired by an independent director.

Summary of the Company's Position

The Company has established an Audit and Risk Committee which is chaired by an independent Director Mr Keith Skipper. However, as the balance of the Directors are not considered under the ASX Guidelines to be independent Directors, the Company does not comply with Recommendation 7.1 in that the majority of the members of the Audit and Risk Committee are not independent. While the Company does not presently comply with Recommendation 7.1, the Company may consider appointing additional independent Directors in the future. The Company believes that given the size and scale of its operations, non-compliance by the Company with Recommendation 7.1 will not be detrimental to the Company.

Principle 8 – Remunerate Fairly and Responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives to align their interest with the creation of value for security holders.

Recommendation 8.1 — The board of a listed entity should have a remuneration committee which has at least three members, a majority of whom are independent directors, and is chaired by an independent director.

Summary of the Company's position

The Board considers that the Company is not currently of a size or complexity to justify a separate Remuneration Committee. The Board currently performs the functions of a Remuneration Committee and where necessary will seek the advice of external advisors in relation to this role. The Board shall, upon the Company reaching the requisite corporate and commercial maturity, approve the Charter of a Remuneration Committee to assist the Board in relation to the remuneration of Directors and senior management.

While the Company does not presently comply with Recommendations 8.1, the Company does not believe that the current absence of a separate Remuneration Committee will be detrimental to the Company.

Recommendation 8.2 and 8.3 — A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives. A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.

Summary of the Company's position

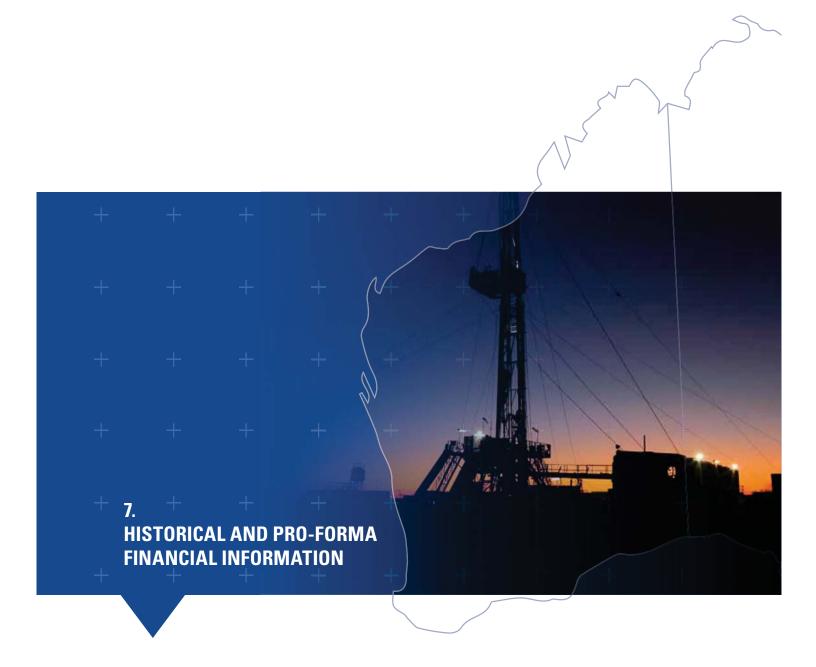
The Corporate Governance Charter sets out the Remuneration Committee Charter. The Board, in the absence of a formally constituted Remuneration Committee, is responsible for reviewing the remuneration policies and practices of the Company in respect of an executive remuneration and incentive plan, remuneration packages for Management and Directors and Non-Executive Director remuneration.

In the absence of a formally constituted Remuneration Committee, the functions of the Remuneration Committee will be carried out by the full Board and where necessary will seek the advice of external advisors in relation to this role. Once a formal Remuneration Committee has been constituted, the Company will provide details of its members, the number of meetings and the names of the attendees in future annual reports. In addition, the Company will also provide the terms of any schemes for retirement benefits and equity based remuneration schemes, other than superannuation, for Non-Executive Directors and other participants in future annual reports.

6.10 TRADING POLICIES

The Directors, executives and employees of the Company are subject to the trading policy adopted by the Company (**Trading Policy**). The Trading Policy imposes a number of restrictions in relation to them dealing in Shares of the Company. As a general policy, Directors, executives and employees can only deal in Shares in the Company during certain periods or in certain circumstances and then only after giving notice of the intended transaction to the Chairman of the Board.

The Trading Policy can be obtained, at no cost, from the Company's registered office and is also available on the Company's website, www.uilenergy.com.au.



7. HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION

7.1 INTRODUCTION

This Section sets out the historical and pro-forma financial information. The basis for preparation and presentation of this information is also set out below.

The financial information has been prepared by management and adopted by the Board. The Board is responsible for the inclusion of all financial information in the Prospectus.

BDO Audit Pty Ltd has prepared an Investigating Accountant's Report in respect of the historical and pro-forma financial information. A copy of the report is contained in Section 10.

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the significant accounting policies set out in Section 7.5 below. The historical and pro-forma financial information comprises financial information of UIL Energy Ltd (the Company). The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the Corporations Act.

7.2 HISTORICAL FINANCIAL INFORMATION

The historical financial information for UIL Energy Ltd set out below comprises:

- The reviewed Statement of Financial Position as at 30 April 2014; and
- Selected notes to the reviewed Statement of Financial Position.

The historical financial information has been extracted from the reviewed financial statements of UIL Energy Ltd for the ten months ended 30 April 2014. The historical financial information does not include a Statement of Comprehensive Income or a Statement of Cash Flows. The Company is an exploration company, exploring for conventional and unconventional oil and gas in Western Australia. During the period from incorporation to 30 April 2014 the Company has not earned any revenue from operations and therefore presentation of the Statement of Comprehensive Income and Statement of Cash Flows is not considered relevant.

7.3 PRO-FORMA FINANCIAL INFORMATION

The pro-forma financial information for UIL Energy Ltd set out below comprises:

- + The unaudited Pro-Forma Statement of Financial Position as at 30 April 2014; and
- + Selected notes to the unaudited Pro-Forma Statement of Financial Position.

The unaudited Pro-Forma Statement of Financial Position has been derived from the reviewed Statement of Financial Position as at 30 April 2014 adjusted for the following transactions as if they had occurred at 30 April 2014 (pro-forma transactions):

- (i) The issue of between 21,000,000 and 30,000,000 ordinary shares at an issue price of \$0.20 per share to raise between \$4,200,000 to \$6,000,000 cash before expenses of the Offer. All ordinary shares issued pursuant to this Prospectus will be issued as fully paid.
- (ii) Total cash costs expected to be incurred in connection with the preparation of the Prospectus and ASX listing of shares of between \$553,225 and \$684,725. In addition, the costs will include a share based payment expense of \$76,008 for the granting of 1,000,000 options to Bizzell Capital Partners for corporate advice and an additional share based payment expense of between \$319,232 and \$456,045 for the granting of between 4,200,000 and 6,000,000 options to Brokers. Of these share issue costs it is estimated that between \$705,807 and \$975,310 will be classified as share issue costs in equity, relating to the issue of new shares. The remaining costs of between \$242,657 and \$241,468 will be charged to profit or loss, relating to the listing of existing shares.
- (iii) The receipt of all monies receivable at 30 April 2014, being \$251,168, in relation to the Convertible Notes raising undertaken in the first half of 2014 as well as the payment of fees to an underwriter of the convertible notes at 30 April 2014 of \$30,000.
- (iv) The issue of 2,680,000 fully paid ordinary shares to sophisticated investors at an issue price of \$0.125 cash.
- (v) The settlement of accrued fees owing to Directors and employees of the Company, a total of \$467,069 paid by way of 3,466,552 fully paid ordinary shares.
- (vi) The issue of 23,778,560 fully paid ordinary shares as a result of the conversion of 2,972,320 convertible notes. The convertible notes were fair valued at the conversion date with no adjustment required to the historical valuation at 30 April 2014.
- (vii) The issue of 4,993,643 fully paid ordinary shares as a result of the conversion of 699,110 convertible notes. The convertible notes were fair valued at the conversion date and an expense of \$299,619 was included in accumulated losses.
- (viii) The issue of 400,000 share options to consultants of the Company.
- (ix) The lapse of 750,000 share options issued to current and previous Directors. In addition 650,000 options issued to current and previous employees and consultants have lapsed.

UIL ENERGY LTD HISTORICAL AND PRO-FORMA FINANCIAL INFORMATION 7.4

The historical and pro-forma financial information should be read in conjunction with the notes in Section 7.5.

STATEMENT OF FINANCIAL POSITION	NOTES	REVIEWED HISTORICAL FINANCIAL INFORMATION 30 APRIL 2014 \$	REVIEWED PRO-FORMA FINANCIAL INFORMATION 30 APRIL 2014 BASED ON OFFER OF MINIMUM SUBSCRIPTION \$	REVIEWED PRO-FORMA FINANCIAL INFORMATION 30 APRIL 2014 BASED ON OFFER OF MAXIMUM SUBSCRIPTION \$
CURRENT ASSETS				
Cash and cash equivalents	7.5.3	9,169	4,212,112	5,880,612
Trade and other receivables	7.5.4	253,050	1,882	1,882
Other current assets		11,550	11,550	11,550
Total current assets		273,769	4,225,544	5,894,044
NON-CURRENT ASSETS				
Property, plant and equipment		23,042	23,042	23,042
Other non-current assets		56,162	56,162	56,162
Exploration and evaluation assets		3,622,357	3,622,357	3,622,357
Total non-current assets		3,701,561	3,701,561	3,701,561
Total assets		3,975,330	7,927,105	9,595,605
CURRENT LIABILITIES				
Trade and other payables	7.5.5	722,997	255,928	255,928
Other financial liabilities	7.5.6	3,671,430	_	_
Total current liabilities		4,394,427	255,928	255,928
Total liabilities		4,394,427	255,928	255,928
Net assets		(419,097)	7,671,177	9,339,677
EQUITY				
Issued capital	7.5.7	4,265,928	12,533,239	14,063,736
Reserves	7.5.9	1,218,913	1,626,934	1,763,748
Accumulated losses	7.5.8	(5,903,938)	(6,488,996)	(6,487,807)
Total equity		(419,097)	7,671,177	9,339,677

7.5 NOTES TO AND FORMING PART OF THE FINANCIAL INFORMATION

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial information. The accounting policies have been consistently applied unless otherwise stated. The financial information is in compliance with the recognition and measurement requirements of Australian Accounting Standards.

7.5.1. BASIS OF PREPARATION

Going concern

The financial information has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful closure of its initial public offering, its subsequent successful raising in the future of necessary funding and the successful exploration and subsequent exploitation of the Company's tenements.

Reporting basis and conventions

The financial information has been prepared on an accruals basis and is based on historical costs, except for certain financial instruments measured at fair value.

7.5.2 ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

b. Income tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

The charge for current income tax expense is calculated using the tax rates that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled based on tax rates (and laws) that have been enacted or substantially enacted by the reporting date.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences and unused tax losses can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumptions that no adverse changes will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

b. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

c. Plant and equipment

Plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed at each reporting date to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

Depreciation

The depreciable amount of plant and equipment is depreciated over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

d. Exploration and evaluation assets

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

A provision is raised against exploration and evaluation assets where the directors are of the opinion that the carried forward net cost may not be recoverable or the right of tenure in the area lapses. The increase in the provision is charged against the results for the year. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

e. Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Company prior to the end of the financial period that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30-60 days of recognition.

f. Other financial liabilities

Other financial liabilities are initially recognised at the fair value of the consideration received, net of transaction costs (however, where other financial liabilities are classified as at fair value through profit or loss transaction costs are expensed). They are subsequently measured at amortised cost using the effective interest method, or, where applicable, at fair value through profit or loss.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the other financial liabilities are classified as non-current. On the issue of the convertible notes the liability was designated as at fair value through profit or loss. The carrying amount of the liability is remeasured at fair value at each reporting date and the movement in value is taken through profit and loss.

g. Issued capital

Ordinary shares are classified as equity. Costs directly attributable to the issue of new shares or options are shown as a deduction from the equity proceeds, net of any income tax benefit.

h. GST

Revenues, expenses and assets are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

i. Share based payments

The fair value of shares and options granted to Directors, employees and consultants is recognised as an expense, where applicable, with a corresponding increase in equity. The fair value is measured at grant date and recognised over the relevant vesting period. For options, fair value is determined using an appropriate option pricing model.

Where the terms of equity instruments granted are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Where equity instruments granted are cancelled, they are treated as if vesting occurred on cancellation and any unrecognised expenses are taken immediately to the profit or loss. If new instruments are substituted for the cancelled instruments and designated as a replacement, the combined impact of the cancellation and replacement instruments are treated as if they were a modification.

Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial information based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key estimates – share based payments

The Company uses estimates to determine the fair value of equity instruments issued to directors, executives, employees and consultants.

Key judgements - exploration & evaluation assets

The Company performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on the continuing rights to explore the area of interest, planned future expenditure and an assessment of economically recoverable reserves, if known.

7.5.3 CASH AND CASH EQUIVALENTS

RECONCILIATION OF MOVEMENTS IN PRO-FORMA CASH AND CASH EQUIVALENTS	REFERENCE	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Cash and cash equivalents at 30 April 2014		9,169	9,169
Proceeds from the issue of shares pursuant to this Prospectus	7.3(i)	4,200,000	6,000,000
Payment of estimated costs with respect to this Prospectus	7.3(ii)	(553,225)	(684,725)
Proceeds from convertible notes monies owed at 30 April 2014 (Net of fees accrued and payable at 30 April 2014)	7.3(iii)	221,168	221,168
Proceeds from the issue of shares	7.3(iv)	335,000	335,000
Pro-Forma cash and cash equivalents		4,212,112	5,880,612

7.5.4 TRADE AND OTHER RECEIVABLES

RECONCILIATION OF MOVEMENTS IN PRO-FORMA TRADE AND OTHER RECEIVABLES	REFERENCE	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Trade and other receivables at 30 April 2014		253,050	253,050
Proceeds from convertible notes monies owed at 30 April 2014	7.3(iii)	(251,168)	(251,168)
Pro-Forma trade and other receivables		1,882	1,882

7.5.5 TRADE AND OTHER PAYABLES

RECONCILIATION OF MOVEMENTS IN PRO-FORMA TRADE AND OTHER PAYABLES	REFERENCE	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Trade and other payables at 30 April 2014		722,997	722,997
Payment of fees owed to Directors and employees	7.3(v)	(467,069)	(467,069)
Pro-Forma trade and other payables		255,928	255,928

7.5.6 OTHER FINANCIAL LIABILITIES

RECONCILIATION OF MOVEMENTS IN PRO-FORMA OTHER FINANCIAL LIABILITIES	REFERENCE	MINIMUM SUBSCRIPTION \$	Maximum Subscription \$
Other financial liabilities at 30 April 2014		3,671,430	3,671,430
Conversion of convertible notes	7.3(vi)	(2,972,320)	(2,972,320)
Fair value adjustment of convertible notes at time of conversion	7.3(vii)	299,619	299,619
Conversion of convertible notes	7.3(vii)	(998,729)	(998,729)
Pro-Forma other financial liabilities		_	_

7.5.7 ISSUED CAPITAL

RECONCILIATION OF MOVEMENTS IN PRO-FORMA ISSUED CAPITAL	REFERENCE	NUMBER OF SHARES MINIMUM SUBSCRIPTION	NUMBER OF SHARES MAXIMUM SUBSCRIPTION
Shares on issue at 30 April 2014		52,089,000	52,089,000
Issue of shares pursuant to this Prospectus	7.3(i)	21,000,000	30,000,000
Issue of shares to investors	7.3(iv)	2,680,000	2,680,000
Issue of shares to Directors and employees	7.3(v)	3,466,552	3,466,552
Conversion of convertible notes	7.3(vi)	23,778,560	23,778,560
Conversion of convertible notes	7.3(vii)	4,993,643	4,993,643
Pro-Forma issued capital ¹		108,007,755	117,007,755

⁽¹⁾ In addition to the above pro-forma number of shares, Executives and Employees of the Company will be issued 1,000,000 Performance Rights which are subject to certain performance criteria being met within two years. Subject to these conditions being met, the maximum share based payment expense to be recognised relating to these Performance Rights is \$212,700 over a period not exceeding two years.

RECONCILIATION OF MOVEMENTS IN PRO-FORMA ISSUED CAPITAL	REFERENCE	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Issued capital at 30 April 2014		4,265,928	4,265,928
Proceeds from the issue of shares pursuant to this Prospectus	7.3(i)	4,200,000	6,000,000
Payment of estimated costs with respect to this Prospectus (share issue costs)	7.3(ii)	(705,807)	(975,310)
Issue of shares to investors	7.3(iv)	335,000	335,000
Issue of shares to Directors and employees	7.3(v)	467,069	467,069
Conversion of convertible notes	7.3(vi)	2,972,320	2,972,320
Conversion of convertible notes	7.3(vii)	998,729	998,729
Pro-Forma issued capital		12,533,239	14,063,736

7.5.8 ACCUMULATED LOSSES

RECONCILIATION OF MOVEMENTS IN PRO-FORMA ACCUMULATED LOSSES	REFERENCE	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Accumulated losses at 30 April 2014		(5,903,938)	(5,903,938)
Payment of estimated issue costs with respect to this Prospectus (listing of existing shares)	7.3(ii)	(242,657)	(241,468)
Payment of convertible notes underwriting fees	7.3(iii)	(30,000)	(30,000)
Fair value adjustment of convertible notes	7.3(vii)	(299,619)	(299,619)
Share options granted to consultants	7.3(viii)	(12,782)	(12,782)
Pro-Forma accumulated losses		(6,488,996)	(6,487,807)

7.5.9 RESERVES

RECONCILIATION OF MOVEMENTS IN PRO-FORMA RESERVES	REFERENCE	MINIMUM SUBSCRIPTION \$	MAXIMUM SUBSCRIPTION \$
Reserves at 30 April 2014		1,218,913	1,218,913
Share options granted to corporate advisors to the Offer ^{1,2}	7.3(ii)	395,239	532,053
Share options granted to consultants ³	7.3(viii)	12,782	12,782
Pro-Forma reserves		1,626,934	1,763,748

RECONCILIATION OF PRO-FORMA SHARE OPTIONS	REFERENCE	NUMBER OF SHARE OPTIONS MINIMUM SUBSCRIPTION	NUMBER OF SHARE OPTIONS MAXIMUM SUBSCRIPTION
Share options on issue at 30 April 2014		10,900,000	10,900,000
Share options granted to a corporate advisor and brokers to the Offer 1,2	7.3(ii)	5,200,000	7,000,000
Share options granted to consultants ³	7.3(viii)	400,000	400,000
Share options lapsed to Director's, a consultant and an employee	7.3(ix)	(1,400,000)	(1,400,000)
Grant of share options pursuant to this Prospectus ⁴		10,795,375	10,795,375
Grant of share options pursuant to this Prospectus ⁵		10,500,000	15,000,000
Pro-Forma share options		36,395,375	42,695,375

⁽¹⁾ The grant of 1,000,000 share options to a corporate advisor pursuant to the Offer. The options are exercisable at \$0.24 per share, vest upon the admission of the Company to the official list of the ASX and an expiry date of 31 December 2018. The maximum share based payments expense relating to these options to be recognised is \$76,008.

⁽²⁾ The grant of between 4,200,000 and 6,000,000 share options to brokers pursuant to the Offer. The options are exercisable at \$0.24 per share, vest upon the admission of the Company to the official list of the ASX and an expiry date of 31 December 2018. The maximum share based payments expense relating to these options to be recognised is between \$319,232 and \$456,045.

⁽³⁾ The grant of 400,000 share options to Consultants. The options are exercisable at \$0.24 per share, vest upon grant and an expiry date of 31 December 2018. The maximum share based payments expense relating to these options to be recognised over the vesting period is \$12,782.

⁽⁴⁾ The grant of 10,795,375 seed investor options which have an exercise price of \$0.24, vest 90 days after the admission of the Company to the official list of the ASX and an expiry date of 31 December 2018. The options can be cancelled at the Company's election prior to ASX listing.

⁽⁵⁾ At the time of admission of the Entity to the official list of the ASX the grant of between 10,500,000 and 15,000,000 New options which have an exercise price of \$0.20, vest 90 days after the admission of the Company to the official list of the ASX and an expiry date of 31 December 2015. These options will be issued to investors who take up shares in the Initial Public Offering.

Option pricing model

The fair value of the equity settled share options granted (including ESOP) is estimated using a Black-Scholes option pricing model taking into account the terms and conditions upon which the instruments were granted. The following table lists the inputs to the model used for valuing the share options granted as share based payments subsequent to 30 April 2014:

Weighted average exercise price	\$0.24
Weighted average life of the options	4.3 years
Underlying share price	\$0.125 - \$0.20
Expected share price volatility	50.0%
Risk free interest rate	3.16%
Value (Black-Scholes) per option	\$0.032 - \$0.076

7.5.10 DEFERRED TAX

At 30 April 2014, the Company had recognised deferred tax assets and deferred tax liabilities of \$787,674 (which have been netted off), which primarily relate to carry-forward losses and capitalised exploration costs. The total unrecognised deferred tax asset on tax losses was \$1,553,314. The total of carry-forward tax losses at 30 April 2014 was \$7,803,294.

These losses may only be carried forward subject to the Continuity of Ownership Test ('COT') and the Same Business Test ('SBT'). The COT was failed as at 21 May 2012. Accordingly, losses to that date will need to be carried forward subject to the SBT. Losses incurred after this date will need to satisfy COT. Given the size of the capital raising that occurs from the pro-forma transactions and the shareholder breakdown at 30 April 2014, it is possible COT may be breached following the completion of the capital raising events. However, a detailed review will be needed to determine if COT will be failed. Accordingly, it may be possible that all losses up to 30 April 2014 (prior to pro forma transactions) may only be recouped subject to satisfaction of the SBT test (being \$7,803,294).

7.5.11 COMMITMENTS

Future exploration commitments

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company. The commitments at 30 April 2014 were as follows:

EXPLORATION COMMITMENTS	\$
Less than 12 months	8,200,000
Between 12 months and 5 years	84,750,000
Greater than 5 years	37,800,000
	130,750,000

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm-in agreements.

Operating lease commitments

The Company leases office premises and car parking under non-cancellable operating leases. The lease terminates on 16 April 2016 and has escalation clauses of 4.5% per annum. There are no renewal rights on the lease.

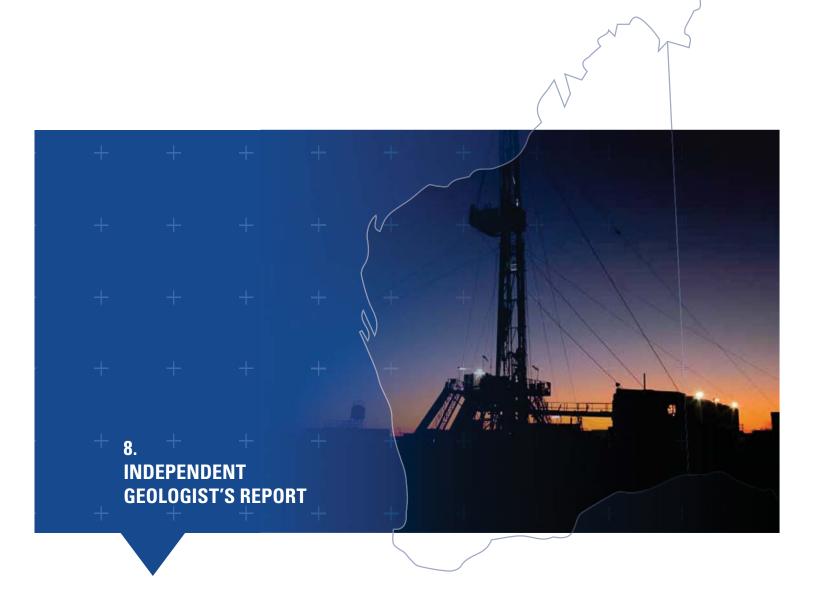
OFFICE LEASE COMMITMENTS	\$
Less than 12 months	147,096
Between 12 months and 5 years	175,045
Greater than 5 years	_
	322,141

7.5.12 CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets and liabilities at 30 April 2014.

7.5.13 SUBSEQUENT EVENTS

Other than as set out in Section 7, the Directors are not aware of any other significant changes in the state of affairs of the Company or events subsequent to 30 April 2014 that would have a material impact on the historical or pro-forma financial information.



UIL ENERGY LTD

Independent Geologist's Report
As of June 30, 2014



UIL ENERGY LTD

Independent Geologist's Report As of June 30, 2014

> Prepared For: UIL ENERGY LTD GPO Box 3284 Brisbane QLD 4001 Australia

> > Prepared By:

McDaniel & Associates Consultants Ltd. 2200, 255 – 5th Avenue SW Calgary, Alberta T2P 3G6

July 2014



UIL ENERGY LTD

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July 11, 2014

UIL Energy Ltd GPO Box 3284 Brisbane QLD 4001 Australia

Attention: Mr. Vic Palanyk, Chief Operating Officer

Reference: **UIL Energy Ltd**

Independent Geologist's Report as of June 30, 2014

Dear Sir:

Pursuant to your request we have prepared an Independent Geologist's Report (the "Report") of the exploration potential and the natural gas prospective resources for the interests of UIL Energy Ltd ("UIL") in the Perth and Canning basins in Australia as of June 30, 2014. This Report has been prepared for an initial public offering of the shares in UIL on the Australian Stock Exchange.

The resources estimates have been prepared in accordance with the 2007 SPE/WPC/AAPG/SPEE Petroleum Resource Management System ("PRMS").

This Report was prepared during the period from August 2012 to May 2014 and was based on technical data to the end of May 2014. All of the basic information employed in the preparation of this report was obtained from UIL. UIL has also provided McDaniel & Associates ("McDaniel") with written representation that no new data or information has been acquired between June 30, 2014 and the date of this report, which might materially impact our opinions in this report. A field visit was not conducted since there is no development in the properties to date.

2200, Bow Valley Square 3, 255 - 5 Avenue SW, Calgary AB T2P 3G6 Tel: (403) 262-5506 Fax: (403) 233-2744 www.mcdan.com

EXECUTIVE SUMMARY

UIL has an interest in the following Permits in the Perth and Canning basins of Western Australia as summarized in Table 1 below. A regional map showing the location of the Permits is presented in Figure 1.

Basin	Permit	Current Operator	UIL Interest	Status	Permit Expiry ⁽¹⁾	Permit Area
Perth	EP 447	UIL	50% ⁽²⁾	Exploration	Aug 22, 2018 ⁽³⁾	1,108 km²
Perth	EP 488	UIL	100%	Exploration	May 28, 2020 ⁽⁴⁾	296 km²
Perth	EP 489	UIL	100%	Exploration	May 28, 2020 ⁽⁴⁾	148 km²
Perth	STP-EPA-0082	UIL	100%	Exploration	Not known ⁽⁵⁾	559 km ²
Perth	STP-EPA-0098	UIL	100%	Exploration	Not known ⁽⁵⁾	75 km ²
Perth	STP-EPA-0099	UIL	100%	Exploration	Not known ⁽⁵⁾	372 km^2
Canning	STP-EPA-0097	UIL	100%	Exploration	Not known ⁽⁵⁾	2,080 km ²
Canning	STP-SPA-0040	UIL	100%	Exploration	Not known ⁽⁶⁾	12,504 km ²
Canning	STP-SPA-0026	UIL	100%	Exploration	Not known ⁽⁶⁾	560 km ²

- The Permit expiry dates listed are specific to the current contract period which in some cases can be extended. UIL has a 50 percent interest in EP447. The EP 447 Permit has a further one, five year renewal available to it.

- EP 488 and EP 489 have an additional two, five year renewals available.
- EPA Permit Applications EPA-0082, EPA-0097, EPA-0098 and EPA-0099 are pending Native Title determination, with Native Title Agreements still being negotiated. Once the Agreements are finalized and the permits are granted, the Permits have an initial six year term with an additional two, five year renewals available.
- All the SPA Permits have Native Title Agreements negotiated and are awaiting formal grant. Once granted SPA's require the commitment program to be carried out within six months. Post the commitment period UIL has a further six months to apply to negotiate an EPA over the area covered by the SPA. UIL intends to convert the SPA's into EPA's following the completion of the six month SPA program.



Table 1 - UIL Asset Summary

Figure 1 - Regional Location Map for the Permits



UIL is in the early stage of exploration and is primarily targeting unconventional reservoirs in the Perth and Canning basins in Western Australia. UIL has also identified further conventional leads that they plan to evaluate over the coming years. No data on these leads was provided to McDaniel so it was not possible to review the exploration potential of these leads. Prospective resources have been assigned to the Perth Basin unconventional play; however, no prospective resources have been assigned to the Canning Basin as there is insufficient data at this time to quantify the size of any petroleum accumulation. Instead, a qualitative assessment of the exploration potential in UIL's Permits in the Canning Basin has been prepared.

All of these properties are in the exploration stage and further analysis and data acquisition is required to reduce the geological and reservoir uncertainties and effectively de-risk these plays.

Prospective Resources

Natural gas prospective resources were assigned to the Perth Basin and are summarized in Table 2 on a Company gross basis and in Table 3 on a property gross basis.

_	Pr	Risked Resources			
	Low	Best	Mean	High	Mean
Perth				_	
Sales Gas, MMcf	34,264	164,179	304,870	739,526	39,023
BOE, Mbbl (6)	5,711	27,363	50,812	123,254	6,504

- (1) There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be economically viable or technically feasible to produce any portion of the resources.
- The prospective resources were estimated probabilistically.
- Company Gross resources are based on working interest share of the property gross resources. The working interest share for the Perth Basin differs for each prospective resource category depending on whether the pool outline extends beyond the EP 447 Permit which UIL has a 50 percent interest in. The working interest share ranges from 50 percent in the low case (P90) and median case (P50) to 51 percent in the high case (P10).
- (4) The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated chance 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. These are partially risked prospective resources that have been risked for chance of discovery, but have not been risked for chance of development.
- Based on arithmetic aggregation of the low (P90) and high (P10) estimates for the individual prospects; statistically therefore the low estimate presented above has a greater than 90 percent chance of being exceeded and the high estimate has a lower than 10 percent chance of being exceeded.
- Based on a Mcf to BOE conversion of 6 to 1.

Table 2 - UIL Prospective Resources Summary



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_	F	Risked Resources			
	Low	Best	Mean	High	Mean
Perth					
Sales Gas, MMcf	68,527	328,358	609,740	1,450,051	78,047
BOE, Mbbl (5)	11,421	54,726	101,623	241,675	13,008

- (1) There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be economically viable or technically feasible to produce any portion of the resources.
- (2) The prospective resources were estimated probabilistically.
- (3) The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated chance 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. These are partially risked prospective resources that have been risked for chance of discovery, but have not been risked for chance of development.
- (4) Based on arithmetic aggregation of the low (P90) and high (P10) estimates for the individual prospects; statistically therefore the low estimate presented above has a greater than 90 percent chance of being exceeded and the high estimate has a lower than 10 percent chance of being exceeded.
- (5) Based on a Mcf to BOE conversion of 6 to 1.

Table 3 - Property Gross Prospective Resources Summary

1.2 Additional Exploration Potential Summary

A brief summary of the potential for the exploration plays, in addition to the Prospective Resources referred to in Section 1.1, that UIL holds an interest in is provided below:

1.2.1 Cattamarra Coal Measures- Perth Basin

UIL and previous operators have identified a number of conventional leads based on sparse two dimensional ("2D") seismic in the Cattamarra Coal Measures Perth Basin. No data has been provided to McDaniel to assess the exploration potential of these leads.

1.2.2 Kockatea Shale- Perth Basin

The Kockatea Shale could be prospective in the western margin of UIL's EP-447, EP-488, STP-EPA-0082 and STP-EPA-0098 Permits, where it is interpreted to be at depths ranging from 2,500 to 3,750 metres. The Kockatea is one of the main oil source rocks in the northern part of the basin. Australian Worldwide Exploration Limited ("AWE") and Norwest Energy ("Norwest") stimulated a 50 metre interval of the lower Kockatea Shale in a vertical well located approximately 20 kilometres west of the STP-EPA-0082, and STP-EPA-0098 Permits in 2012. According to press releases by AWE the well flowed up to 70 Mcfpd with some oil during the flowback period and also produced some oil during the test.

1.2.3 Carynginia Formation – Perth Basin

The Carynginia Formation could be prospective in the western part of the STP-EPA-0082 and STP-EPA-0098 Permits, where it is interpreted to be at depths greater than 4,000 metres. The Carynginia Formation is characterised by interbedded sandstone and siltstone with good TOC



values (average more than two percent) and interpreted to contain gas-prone type III kerogen. AWE and Norwest stimulated several intervals including the Carynginia Formation in a vertical well located approximately 20 kilometres west of the STP-EPA-0082 and STP-EPA-0098 Permits. The well was put on a one month extended production test and produced an average of 315 Mcfpd of natural gas, of which 45 percent was attributed to the Carynginia Formation based on production logging tool results.

Goldwyer Formation - Canning Basin 1.2.4

The Goldwyer Formation has been relatively unexplored in the Canning Basin. New Standard Energy and ConocoPhillips have spudded the first well in the area specifically targeting the Goldwyer Formation. If successful there should be significant exploration potential in UIL's Permits in the Canning Basin.

WORK PROGRAMME AND FARM-IN COMMITMENTS REVIEW

UIL has provided McDaniel with their work programme and farm-in commitments for the various Permits. UIL have acquired a 50 percent interest in the EP-447 Permit. The forward exploration work program for the permit consists of additional seismic acquisition and drilling to test a number of play concepts over the coming five year term.

The work programme commitments for the EP and STP-EPA Permits are spread out over the initial six year term and consist of a combination of 2D or three dimensional ("3D") seismic surveys and drilling of exploration wells. The work programme commitments for the SPA-0026 and SPA-0040 Permits consist of an airborne gravity survey.

A summary of the permit work commitments on a 100 percent basis and their anticipated timing is presented in Table 1 of Appendix 2.

RESERVES AND RESOURCES DEFINITIONS

The definitions employed in this evaluation conform to the 2007 Petroleum Resource Management System jointly published by the Society of Petroleum Engineers ("SPE"), World Petroleum Council ("WPC"), American Association of Petroleum Geology ("AAPG") and the Society of Petroleum Evaluation Engineers ("SPEE").

3.1 Resources

The term "resources" is intended to encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered "conventional" or "unconventional."

The resources classification framework is summarized in Figure 2 and a summary of the definitions are given below.



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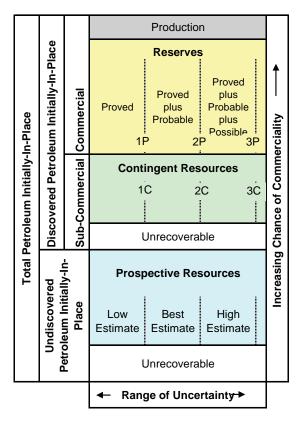


Figure 2 – Resource Classification Framework

The "Range of Uncertainty" reflects a range of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the "Chance of Commerciality", that is, the chance that the project that will be developed and reach commercial producing status.

The quantities estimated to be initially-in-place are defined as Total Petroleum-initially-in-place, Discovered Petroleum-initially-in-place and Undiscovered Petroleum-initially-in-place, and the recoverable portions are defined separately as Reserves, Contingent Resources, and Prospective Resources. Reserves constitute a subset of resources, being those quantities that are discovered (i.e. in known accumulations), recoverable, commercial and remaining.

Reserves

Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.



The reserve classification system is covered in Section 3.3.

Contingent Resources

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status.

Prospective Resources

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

3.2 Range of Uncertainty

The range of uncertainty of the recoverable and/or potentially recoverable volumes may be represented by either deterministic scenarios or by a probability distribution. When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- There should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- There should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- There should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental (risk-based) approach, quantities at each level of uncertainty are estimated discretely and separately.

These same approaches to describing uncertainty may be applied to Reserves, Contingent Resources, and Prospective Resources. While there may be significant risk that sub-commercial and undiscovered accumulations will not achieve commercial production, it is useful to consider



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the range of potentially recoverable quantities independently of such a risk or consideration of the resource class to which the quantities will be assigned.

3.3 Reserves Categories and Status

For Reserves, the general cumulative terms low/best/high estimates are denoted as 1P/2P/3P, respectively. The associated incremental quantities are termed Proved, Probable and Possible. Reserves are a subset of, and must be viewed within context of, the complete resources classification system.

Proved Reserves

Proved Reserves are those quantities of petroleum which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimate.

Probable Reserves

Probable Reserves are those additional Reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50 percent probability that the actual quantities recovered will equal or exceed the 2P estimate.

Possible Reserves

Possible Reserves are those additional Reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) Reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10 percent probability that the actual quantities recovered will equal or exceed the 3P estimate.



Reserves status categories define the development and producing status of wells and reservoirs.

Developed Reserves

Developed Reserves are expected quantities to be recovered from existing wells and facilities. Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-Producing.

Developed Producing Reserves

Developed Producing Reserves are expected to be recovered from completion intervals that are open and producing at the time of the estimate. Improved recovery reserves are considered producing only after the improved recovery project is in operation.

Developed Non-producing Reserves

Developed Non-Producing Reserves include shut-in and behind-pipe Reserves. Shut-in Reserves are expected to be recovered from (1) completion intervals which are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or, (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells, which will require additional completion work or future re-completion prior to start of production.

Undeveloped Reserves

Undeveloped Reserves are expected quantities expected to be recovered through future investments: (1) from new wells on undrilled acreage, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g. when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

3.4 Contingent Resource Categories

For Contingent Resources, the general cumulative terms low/best/high estimates are denoted as 1C/2C/3C respectively. No specific terms are defined for incremental quantities within Contingent Resources.

3.5 Prospective Resource Categories

For Prospective Resources, the general cumulative terms low/best/high estimates apply. No specific terms are defined for incremental quantities within Prospective Resources.



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4 PERTH BASIN – AUSTRALIA

4.1 Property Overview

The EP-447, EP-488 and EP-489 Permits (the "Southern Perth Permits") cover a total area of approximately 1,552 square kilometres ("km²") and the STP-EPA-0082, STP-EPA-0098 and STP-EPA-0099 Permits (the "Northern Perth Permits") cover an area of approximately 1,006 km². The Southern Perth Permits and Northern Perth Permits are located in the northern Perth Basin of Western Australia as shown in Figure 3. The Southern Perth Permits are located approximately 120 kilometres north of the City of Perth. The Dampier to Bunbury gas pipeline and the Parmelia pipeline spur run through the Perth Permits.

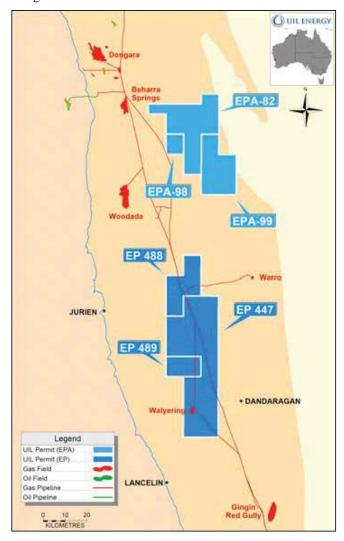


Figure 3 - Perth Permits Location Map



The Southern Perth Permits are located north of Empire Oil and Gas' Gingin and Red Gully fields where gas and condensate are being recovered from conventional reservoirs. The Northern Perth Permits are located east of AWE and Norwest Permits where they are currently evaluating the unconventional potential. AWE and Norwest drilled the first dedicated shale gas well in the Perth Basin, Arrowsmith-2, and conducted numerous hydraulic fracture simulations on the well. The results appear to be encouraging with hydrocarbons being produced to surface.

Exploration activity in the Perth Basin started as early as 1935 with initial gravity surveys being conducted. The first discovery in the Perth Basin was made in 1964 by well Yardarino-1 in the Dandaragan Trough, which tested oil and gas from the Permian Wagina Sandstone and basal Triassic sands. Subsequently, there were other discoveries made throughout the basin and in 1971 WAPET made a natural gas discovery in the EP-447 Permit by drilling the well Walyering-1. The Walyering-1 well penetrated a thick sand-shale-siltstone sequence of the Cockleshell Gully Formation and initially tested at 10 MMcfpd. The well was put on production shortly after, but declined very rapidly and was consequently shut-in after only three months. A second well, Walyering-2, was also drilled in 1971 and reportedly tested at substantial gas rates but was never put on production. In 1972, the well Walyering-3 was drilled but the main reservoir targets were found to be water bearing although a deeper sand was tested at rates up to 600 Mcfpd. In 2001, another operator, AusAm Resources Limited, drilled well Walyering-4 to test the main gassaturated sands encountered in well Walyering-1. Unfortunately these sands were interpreted to be water-bearing and the well was subsequently plugged and abandoned.

No wells have been drilled in the Northern Perth Permits, although the Eneabba-1 Well drilled in 1961 is located right on the western edge of STP-EPA-0082. There were continuous gas shows throughout the Kockatea Shale and Carynginia Formation and there was a strong flow of wet gas encountered at a depth of nearly 3,900 metres.

UIL signed a Farm-In Agreement with GCC Methane Pty Ltd ("GCC") and through it has acquired a 50 percent interest in the EP-447 Permit. UIL has also been granted 100 percent interest in two additional adjacent Permits: EP-488 and EP-489 and also has a 100 percent interest in permit applications, STP-EPA-0082, STP-EPA-0098 and STP-EPA-0099, subject to Native Title negotiations, to the north.

UIL permit commitments for EP-488 require conducting two phases of 2D seismic in the first two years, drill one well in the third year, conduct a 3D seismic survey in the fourth year and drill a second well in the fifth year.

In EP-489, UIL's permit commitment is to conduct a 2D seismic survey in the first two years, undertake additional geological work in the third year, drill a well in the fourth year and conduct additional 2D seismic in the fifth year.



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Once granted, UIL's permit commitment for STP-EPA-0082 is to conduct a 2D seismic survey in the first year, drill one well in the second year, complete a 3D seismic survey in the third year, drill a second well in the fourth year, complete additional 2D seismic in the fifth year and drill another well in the sixth year.

Once granted, the permit commitment for STP-EPA-0098 will be to carry out seismic reprocessing in the first year, acquire 50 kilometres of 2D seismic in the second year, acquire 25 km² 3D seismic in the third year, drill one exploration well in the fourth year, conduct geological studies and carry out a well stimulation in the fifth year and further studies in the sixth year.

Once granted, the permit commitment for STP-EPA-0099 will be to conduct seismic reprocessing in the first year, acquire 150 kilometres of 2D seismic in the second year, drill one exploration well in the third year, acquire 50 km² 3D in the fourth year, acquire 150 kilometres 2D seismic and carry out a well stimulation in the fifth year and drill an exploration well in the sixth year.

4.2 Source and Quality of Data

The primary data that was reviewed for the assessment of the EP-447, EP-488 and EP-489 Permits consisted of digital well logs for four wells drilled in the Walyering Field and three wells in the Warro Field, well completion reports, and digital time and depth surfaces for the main seismic horizons. The data provided for the assessment of the STP-EPA-0082, STP-EPA-0098 and STP-EPA-0099 Permits contained digital and picture logs for six wells drilled in the proximity to the Permit as well as completion reports for selected wells. Additional data was collected from the Western Australia Department of Mines and Petroleum website including geochemical data, geological data and well test information for various wells in the vicinity of the Permits. Several third-party geological reports were also provided.

The logs for the few wells provided are fair quality considering the fact they were acquired 40 years ago. The porosity readings were derived mostly from sonic and density logs and appears to be reasonable although possibly slightly overestimating porosity.

The seismic data within the Southern Permits generally consists of 2D seismic lines of poor to fair quality. The density of the seismic lines varies across the EP-447 Permit with several lines in proximity of the Walyering wells and few lines spaced approximately 20 kilometres apart in the north areas of the EP-447 Permit. No velocity model was provided to verify the time to depth interpretation and so it is difficult to verify the depth grid without additional information. In Q2 2013, UIL conducted a new semi-regional 2D seismic survey in the northeastern part of the EP-447 Permit to further understand the complexity of the of the Dandaragan Trough and earn a 50 percent interest in the permit. The latest seismic interpretation was not available for this assessment and no seismic data was available for review in the STP-EPA-0082, STP-EPA-0098, and STP-EPA-0099 Permits.

Very little data has been gathered specific to unconventional reservoirs including tight rock analysis. UIL is planning to collect this type of information once a well has been drilled in the Perth Permits.



Regional Geology

The Perth Basin is an elongated north to south trending rift basin situated onshore and offshore of the Western Australia. It covers an area of approximately 170,000 km². The Perth Basin is bounded to the north by a Precambrian basement high of the Northampton Block which separates it from the Carnarvon Basin. The eastern boundary is defined by the Darling Fault System along the Precambrian Yilgarn Craton and to the southwest the basin is limited by Leeuwin Complex and Yallingup Shelf.

The Perth Basin was initiated in the Early Permian time when the first phase of rifting produced deep rift basins of the Bunbury Trough and Dandaragan Trough trending north to south along the western margin of the Yilgarn Craton. Glacial sediments of the Nangetty Formation and marine and marginal marine sediments of the Holmwood Shale, High Cliff Sandstone, Irwin River Coal Measures and Carynginia Formation were deposited during this rifting phase. The Late Permian uplift was followed by the development of an alluvial fan delta system in the northern Perth Basin and accumulation of the Wagina Sandstone. Post-rift subsidence prevailed during the Triassic resulting in the deposition of black shales and siltstones of the Kockatea Shale. The Kockatea Shale is considered to be an important oil source rock and regional seal in the northern part of the Perth Basin. The Middle and Late Triassic regression is responsible for the accumulation of deltaic and fluvial facies of the Woodada Formation and Lesueur Sandstone. Minor rifting phase in the Late Triassic and Early Jurassic was associated with the deposition of continental Eneabba Formation and accumulation of deltaic and swamp rocks of the Cattamarra Coal Measures ("CCM"). A short but extensive Middle Jurassic transgression is related to the deposition of the marine shales of the Cadda Formation. The final and most extensive phase of the basin evolution took place from the Middle Jurassic to the Early Cretaceous and is associated with the breakup of the Gondwana Continent. It caused widespread uplift and erosion, volcanism and strike-slip faulting and produced much of the final structural composition of the Perth Basin. The fluvial and marine siliciclastics of the Yarragadee Formation and Parmelia Group were deposited during this period. In the Dandaragan Trough the thickness of the Yarragadee sandstones is reported to be in excess of 4.000 metres.

The Jurassic Cattamarra Coal Measures is considered to be a source rock for the existing fields in the southern part of the Dandaragan Trough and neighbouring Beermulah Trough. The Kockatea Shale is recognized to be the main oil source rock in the northern part of the Perth Basin; however, its gas generation potential in the area remains to be explored. The Carynginia Formation is reported to have elevated TOC values and could be an important gas source rock in the western part of the STP-EPA-0082 and STP-EPA-0098 Permits.

A simplified stratigraphic column for the Perth Basin is presented in Figure 4.



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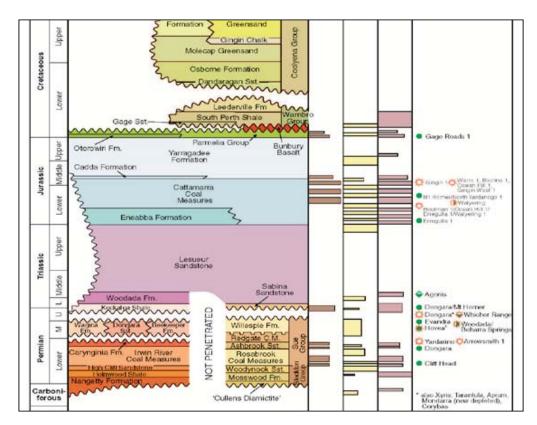


Figure 4 - Perth Basin Stratigraphic Column (Source: Geological Survey of Western Australia)

4.4 Geology of Perth Permits

The Southern Perth Permits and Northern Perth Permits are situated on the western and northern margin of the Dandaragan Trough respectively. The Southern Perth Permits encompass portions of the Cadda Terrace, Coomaloo Trough and the Dandaragan Trough. The western most part of the STP-EPA-0082 and STP-EPA-0098 Permits are positioned in the Donkey Creek Terrace while the remainder of the Permit lies within the Dandaragan Trough. The Coomallo Trough is located west of the Dandaragan Trough and separated from the Donkey Creek Terrace by an Abrolhos Transfer. The Coomallo Trough is separated by the Coomallo Fault from the Cadda Terrace to the west and bounded by the Eneabba Fault to the east. It is likely that Coomaloo Trough gradually disappears to the south and merges with the Dandaragan Trough. The Dandaragan Trough is the major depositional centre of the onshore Perth Basin and forms a large syncline in the area proximal to the Southern Perth Permits. The Dandaragan Trough is bounded to the east by the Urella Fault and to the west by the Eneabba Fault System. To the north the Trough becomes narrower and is characterised by a reduction in sedimentary fill thickness. The STP-EPA-0082 Permit stretches from the Donkey Creek Terrace to the Urella Fault, essentially covering the entire width of the



Dandaragan Trough. A total of five wells have been drilled within the Southern Perth Permits, four on the Walyering Field and the Coomallo-1 well, which is located approximately 50 kilometres to the north. All wells penetrated the CCM Formation at a depth of approximately 3,000 metres and TD'd in the CCM. Despite the low density and quality of the seismic data it can be interpreted that the CCM rapidly plunges into the Dandaragan Trough immediately to the east along the northsouth axis of the EP-447 Permit. The seismic interpretation suggests that the Dandaragan Trough contains up to 12,000 metres of Permian, Triassic and Jurassic sediments. No wells have been drilled within the Northern Perth Permits. The Enneaba-1 well was drilled practically at the Permit's present boundary in 1961 and only a handful of wells were drilled in proximity. The Kockatea Shale and Carynginia Formation are recognised as the main targets of future exploration. These formations were penetrated in nearby wells at a depth from approximately 3,500 to 3,900 metres.

A regional cross section through the Dandaragan Trough in the Southern Perth Permits is presented in Figure 5 and a regional cross section through the Dandaragan Trough in the Northern Perth Permits is presented in Figure 6 below.

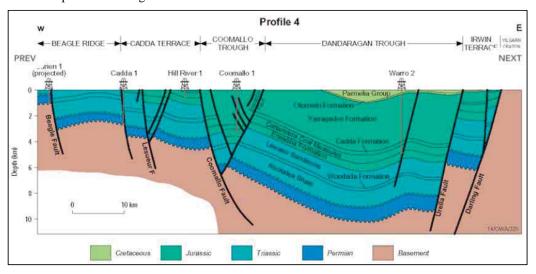


Figure 5 - Regional Cross Section through the Dandaragan Trough in the Southern Perth Permits (Source: Geoscience Australia)



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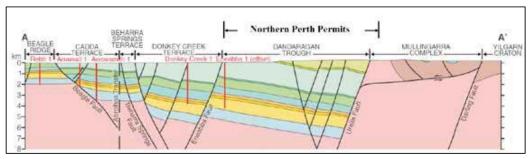


Figure 6 – Regional Cross Section through the Dandaragan Trough in the Northern Perth Permits

(Source: Government of Western Australia)

A brief description of the Cattamarra Coal Measures, Kockatea Shale and Carynginia Formation are provided below:

4.4.1 Cattamarra Coal Measures

The CCM is an upper member of the Jurassic Cockleshell Gully Formation. The Eneabba Formation, basal member of the Cockleshell Gully Formation, conformably overlies the Late Triassic Lesueur Sandstone Formation. The CCM is comprised of interbedded non-marine, fluvial and lacustrine sands, shales and siltstones with minor presence of claystone and coal. The sands are described as light grey, fine grained, moderately sorted with poor to good visual porosity. The log derived porosity reaches 15 percent in the Walyering Field.

4.4.2 Kockatea Shale

The Lower Triassic Kockatea Shale is recognized as the major oil and gas source rock and seal in the northern part of the Perth Basin. It is underlain by the Permian Carynginia Formation and conformably overlain by the Woodada Formation. The Kockatea Shale was deposited in a shallow marine environment during the rapid Early Triassic marine transgression. The Kockatea Shale consists of predominantly dark shales, variably calcareous mudstone with subordinate siltstone and minor sandstone and limestone. The formation thickness generally increases to the south reaching up to 1,000 metres in depositional centre north of the Perth Permits.

4.4.3 Carynginia Formation

The Lower Permian Carynginia Formation is conformably deposited over the Irwin River Coal Measures Formation and with angular unconformity is overlain by the Lower Triassic Kockatea Shale and locally by the Upper Permian Wagina Sandstone, Dongara Sandstone and Beekeper Formation. The Carynginia Formation was deposited in shallow marine conditions and consists of mainly dark grey to black shales interbedded with minor fine grained sandstone layers.



4.5 Prospective Resources and Exploration Potential

UIL is evaluating the unconventional and conventional potential of the Cattamarra Coal Measures across all Perth Basin Permits and the Kockatea Shale on the western margin of the EP-447, EP-488, EP-489, STP-EPA-0082 and STP-EPA-0098 Permits and the Carynginia Formation in the STP-EPA-0082 and STP-EPA-0098 Permit. Prospective resources have been assigned to the Cattamarra Coal Measures in the EP-447, EP-488 and EP-489 Permits. No prospective resources were assigned to the Kockatea Shale and Carynginia Formation due to the limited data available to quantify the recoverable resources; however, a qualitative discussion on the exploration potential has been prepared.

UIL and previous operators have identified a number of conventional leads based on sparse 2D seismic. No data has been provided to McDaniel to assess the exploration potential of these leads.

The prospective resources assigned to the Perth Basin as part of this assessment have been estimated probabilistically using a Monte Carlo simulation, which is the most appropriate method given the high degree of uncertainty in the various input parameters. Low (P90) and High (P10) estimates were used to define the distributions with the exception of the gross rock volume distributions, which is discussed below.

The prospective resources were risked using three parameters: source, reservoir and seal as the migration and timing and structure elements are typically excluded since these elements rarely factor into the risk. The overall geological chance of success is the product of these individual parameters and was used to determine the risked mean resources.

A discussion of the prospective resources assigned to the Cattamarra Coal Measures and the exploration potential of the Kockatea Shale and Carynginia Formation is provided below:

4.5.1 Cattamarra Coal Measures

The primary focus of UIL's exploration in the Southern Perth Permits in the Perth Basin will be on the CCM which is described above in Section 4.4.1. A review of the Walyering wells indicates the presence of higher permeability sands in the upper section of the CCM trending to lower permeability sands in the lower section.

While there has been gas tested from the higher permeability sand intervals in the Upper CCM in some of the Walyering wells, the exploration potential is difficult to assess given the structural complexity of the area. The area surrounding the wells is extensively faulted and has likely resulted in significant compartmentalization.

UIL believes the lower permeability sands in the CCM could be part of a much larger continuous gas accumulation or Basin Centered Gas Accumulation ("BCGA"). BCGA's are regionally pervasive gas-saturated reservoirs, containing abnormally-pressured gas accumulations. They are characterized by thick gas columns in a mixture of lithologies and can contain a substantial volume of gas in-place. These types of accumulations are currently being developed across the



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United States and Canada and include the Green River Basin and Appalachian Basin in the United States and the Alberta Deep Basin in Canada.

The SPE-PRMS guidelines highlight four key elements that define a BCGA:

- Abnormal pressure
- Low permeability
- Continuous gas saturation
- No down-dip water leg

The pressure data is relatively sparse in the CCM and there are no sufficient pressure build-ups to understand the true reservoir pressure. During the drilling of well Walyering-2 the well took gas kicks and the mud weight was significantly increased at a depth of approximately 3,850 metres suggesting this section of the reservoir may be over-pressured. A similar observation was made during the drilling of Walyering-3 where the mud weight was increased at approximately the same depth. It is not clear from the existing seismic if these wells are trapped structurally but the interpretations from the mud weight data could suggest the wells are part of a continuous gas accumulation with a regional pressure seal.

The depth of the regional pressure seal is deeper than the average tight gas or shale gas development in North America. The average tight gas or shale gas development in the United States and Canada range from 2,500 to 3,500 metres and there are only a small number of tight gas developments in North America at depths greater than 4,000 metres.

Based on the conventional core analyses the sands below the potential regional pressure seal are characterized by a porosity of approximately nine percent and low permeability. The permeability ranges up to 10 mD although these measurements were not taken from tight rock analysis. The upper range of the permeability is higher than typically seen in other BCGA developments, but it is possible these measurements were taken in more of a sweet spot with enhanced permeability. A mineralogical analysis was conducted on well Walyering-1 in the CCM and indicated favourable quartz content with relatively low clay content and virtually no swelling clays.

A drill stem test ("DST") was conducted on well Walyering-2 below the potential regional pressure seal and a gas rate of 0.96 MMcfpd was reported over a 28 hour period. It is very seldom in tight gas reservoirs that a vertical well test without a fracture stimulation would result in a gas rate of this magnitude unless a sweet spot was encountered or there is some degree of natural fracturing.

Gross gas thickness maps were prepared based on the top structure map, base structure map and the estimated top depth at which the system becomes over-pressured and the technically limited bottom depth based on our experience of other unconventional gas plays. The gross rock volume ("GRV") was varied to reflect the uncertainty in the top and bottom depth of the BCGA system. The P90 GRV was based on an outline around the existing Walyering wells and limited to a depth between 3,850 metres and 4,100 metres while the P1 GRV was based on an outline encompassing all of



UIL's permits and limited by a depth between 3,850 metres and 4,400 metres. The structure map and gross gas thickness maps are presented in Figures 2 to 4 of Appendix 1.

An exploitable pay percentage was applied to reflect the fact that not all of the net pay intervals would be able to be effectively developed based on a horizontal well development. This was varied from 60 to 80 percent for the P90 and P10 case respectively. A summary of all the input parameters used to calculate the resources as well as the resulting exploitable gas-in-place and recoverable resources on a property gross basis are summarized in Table 2 of Appendix 1. A probabilistic calculation was also done with an exploitable pay percentage of 100 percent to represent the total Petroleum-initially-in-place ("PIIP") and is shown for comparison purposes on a property gross basis in Table 1 of Appendix 1.

The geological chance of success for the CCM was estimated to be 13 percent with the primary risks being the quality of the reservoir and the possibility of a regional pressure seal.

4.5.2 Exploration Potential of the Kockatea Shale

UIL is also planning to evaluate the Kockatea Shale on the western margin of the EP-447, EP-488, EP-489, STP-EPA-0082 and STP-EPA-0098 Permits.

As mentioned in Section 4.4.2 the Kockatea Shale is one of the main oil source rocks in the northern part of the Perth Basin. The base of the Kockatea Shale in some areas of the Perth Basin contains a thin organically rich (TOC in excess of two percent) basal section. The hydrogen and oxygen index values indicates that the Kockatea Shale is a mix of Type II/III Kerogen and capable of both oil and gas generation. The shallower areas of the basin are more likely to have oil potential and the deeper areas of the basin are more likely to have wet gas/dry gas potential.

The seismic coverage across the EP-447, EP-488 and EP-489 Permits is relatively limited and of poor quality. The new 2013 semi-regional 2D seismic lines were placed towards the eastern boundary of the EP-447 Permit mostly over the Dandaragan Trough where the Kockatea Shale is likely too deep for exploration. The Kockatea Shale is interpreted to be at depths ranging from 2,500 to 3,500 metres within the EP-447 and EP-488 Permits. The only well, Cadda-1, which has penetrated the Kockatea Shale in the vicinity of UIL's Perth Permits, is located approximately 11 kilometres to the west. This well reached the Kockatea Shale at a depth of 1,550 metres subsea and encountered a thickness of 400 metres.

The seismic coverage over the STP-EPA-0082 and STP-EPA-0098 Permits is of similar density except in the westernmost part of the Permits where it is more tightly spaced. The top of the Kockatea Shale was penetrated by the Eneabba-1 Well and other wells drilled nearby at depths ranging from 3,500 to 3,750 metres. The formation thickness varies from 300 to 800 metres.

The Kockatea Shale appears to be quite extensive with several wells northwest of UIL's Perth Permits having penetrated the formation. In fact, the Arrowsmith-2 well drilled by AWE and Norwest approximately 70 kilometres northwest of the Southern Perth Permits and 20 kilometres west of the STP-EPA-0082 and STP-EPA-0098 Permits encountered the Kockatea Shale at a depth



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of approximately 2,150 metres subsea with an overall thickness of nearly 500 metres. A 50 metre interval in the lower Kockatea Shale was hydraulically fracture stimulated and according to press releases by AWE the well flowed up to 70 Mcfpd with some oil during the flowback period and also produced some oil during the test.

The recent results from AWE and Norwest are encouraging and suggest that there could be potential in the Kockatea Shale in the EP-447, EP-488, EP-489 and especially STP-EPA-0082 and STP-EPA-0098 Permits. Additional data needs to be acquired to identify the source rock properties and mineralogy of the Kockatea Shale within the EP-447, EP-488, EP-489, STP-EPA-0082 and STP-EPA-0098 Permits.

4.5.3 Exploration Potential of the Carynginia Formation

UIL is also planning to evaluate the Carynginia Formation in the western part of the STP-EPA-0082 and STP-EPA-0098 Permits.

As mentioned in Section 4.4.3 the Lower Permian Carynginia Formation appears to have adequate source rock and reservoir qualities in the northern part of the Perth Basin. The Carynginia Formation is characterised by good TOC values (average more than 2 percent) and interpreted to contain gas-prone type III kerogen. Despite the large content of inert organic matter the Carynginia Formation likely has significant hydrocarbon generation potential.

The seismic coverage across the western part of the STP-EPA-0082 and STP-EPA-0098 Permits appears to be of fair density. A review of the seismic data in this permit was not conducted. An analysis of the formation tops in the wells drilled in proximity to the STP-EPA-0082 and STP-EPA-0098 Permits suggests that the Carynginia Formation may likely be encountered at a depth greater than 4,000 metres. Based on two actual well penetrations the formation thickness is greatly variable from 250 metres in well Arrowsmith-1 located approximately 20 kilometres to the west of the STP-EPA-0082 Permit to 30 metres in well Erregulla-1 located nine kilometres to the north of the STP-EPA-0082 Permit.

The Arrowsmith-2 well drilled by AWE and Norwest approximately 70 kilometres northwest of the Southern Perth Permits and 20 kilometres west of the STP-EPA-0082 and STP-EPA-0098 Permits encountered the Carynginia Formation at a depth of approximately 2,600 metres subsea with an overall thickness of nearly 250 metres. AWE and Norwest stimulated several intervals including the Carynginia Formation in the Arrowsmith-2 well. The well was put on a one month extended production test and produced an average of 315 Mcfpd of natural gas, of which 45 percent was attributed to the Carynginia Formation based on production logging tool results.

The recent results from AWE and Norwest are encouraging and suggest that there could be potential in the Carynginia Formation in the STP-EPA-0082 and STP-EPA-0098 Permits; however, the significant drilling depth and possible thickness variations will need to be addressed. This formation still has a high level of uncertainty and additional data will need to be acquired to identify the source rock properties and mineralogy of the Carynginia Formation within the STP-EPA-0082 and STP-EPA-0098 Permits.



CANNING BASIN – AUSTRALIA

5.1 **Property Overview**

The STP-EPA-0097, STP-SPA-0040 and STP-SPA-0026 Permits (the "Canning Permits") cover an area of approximately 15,114 km² and are located in the Canning Basin in the Kimberley Region of Western Australia as shown in Figure 7. The STP-EPA-0097 and STP-EPA-0026 Permits are located in the Kidson Sub-basin while the STP-SPA-0040 Permit covers the Samphire Graben and Waukarlycarly Embayment Area.

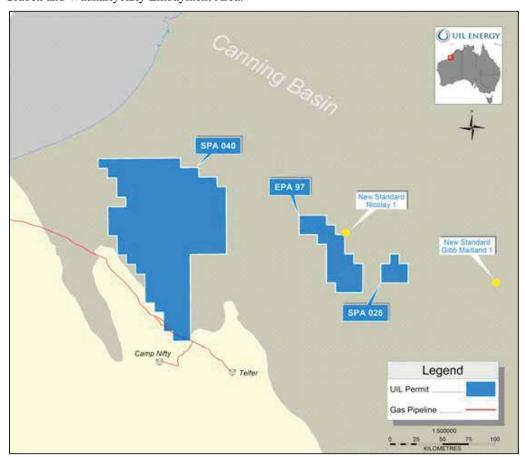


Figure 7 - Canning Permits Location Map



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There has been little exploration activity in the area surrounding the Canning Permits. Exploration started in the 1940s with photo-geological traverses flown over the Canning Basin. Regional gravity surveys and airborne magnetometer surveys were conducted by the Bureau of Mineral Resources and WAPET during the 1950s and 1960s. There have been a number of 2D seismic surveys conducted in the area of the STP-SPA-0040 Permit although most of the surveys were conducted north of the permit. There are also well penetrations in the area although most of the wells did not penetrate the Goldwyer Formation.

UIL was granted an application to acquire a 100 percent interest in the STP-SPA-0040 and STP-SPA-0026 Permits. These applications are Special Prospecting Authorities accepted by Western Australia's Department of Mines and Petroleum. The SPA Permits can be converted to Exploration Permits following the initial SPA exploration. As part of the SPA exploration UIL is intending to conduct a high quality airborne gravity survey.

Once granted, the permit commitment for STP-EPA-0097 will be to conduct seismic reprocessing in the first year, acquire 200 kilometres of 2D seismic in the second year, drill one exploration well in the third year, conduct geological studies in the fourth year, acquire 150 kilometres 2D seismic in the fifth year and drill one exploration well in the sixth year.

5.2 Source and Quality of Data

There is limited data currently available on UIL's Canning Permits and no well data or digital seismic data was provided. The majority of the information consisted of geological reports and other third party reports focused on the Goldwyer Formation.

5.3 Regional Geology

The Canning Basin was established in the early Paleozoic as a broad northwest to southeast trending cratonic sag that is now divided by the Broome and Crossland platforms into two major depositional centres: the Fitzroy Trough and Gregory Sub-basin in the north and the Willara and Kidson sub-basins in the south. It has been reported that the center of the Fitzroy Trough may contain a massive Paleozoic sedimentary sequence reaching depths up to 15 to 16 kilometres. The Fitzroy Trough is contained by the Jones Arc in the south which separates it from the Gregory Sub-basin, the Lennard Shelf in the north to northwest where it rises into a thinner sedimentary succession and a chain of Jurgurra, Maola and Barwire Terraces in the east to southeast before transitioning into a major intrabasinal high of the Broome Platform.

The Fitzroy Trough was subject to a major cycle of thermal uplift followed by rift subsidence during regional Upper Devonian extensional tectonism, with the flanks of the graben providing sites for Devonian Platform and reef carbonate growth on surrounding terraces.



In contrast, the southern Willara and Kidson sub-basins remained relatively stable during the Devonian, resulting in a much thinner succession (four to five kilometres) of predominantly Ordovician to Silurian rocks capped by less than one kilometre of Devonian and younger sediments. These are for the most part concealed beneath widespread Permian and Mesozoic sediments, with the latter thickening westwards due to the influence of continental breakup in the Cretaceous.

The Samphire Embayment and Walukarlycarly Embayment contain an even thinner succession of predominantly Ordovician to Silurian rocks.

A regional cross section including the Samphire Embayment is shown in Figure 8 below.

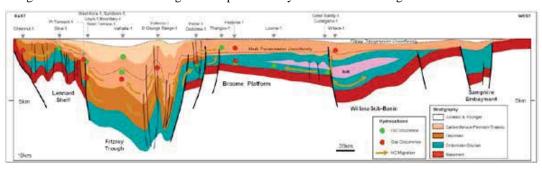


Figure 8 - Regional Cross Section of Canning Basin (Source: Buru Website)

The deposition in the basin began in the Early Ordovician when the first stage of extension took place and resulted in the accumulation of marine sediments of Nambeet, Willara, Goldwyer, and Nita formations. The Goldwyer Formation is reported to have very good source rock characteristics and shale gas potential within the northern part of the Broome Platform. The Ordovician rocks are overlain by a Silurian Carribuddy Formation which was deposited in the southern depositional centers. The Carribuddy Formation is comprised of the thick sequence of evaporates, dolomites, shales and sandstones and a widespread halite layer which may act as a regional seal to the Ordovician petroleum system. It is assumed to be present through most of the Fitzroy Trough but is absent on the northern basin margin.

A period of minor folding, erosion and regional uplift in the earliest Devonian followed by an extensional phase of rifting and subsidence during the Middle and Late Devonian resulted in the development of the Fitzroy Trough and Gregory Sub-basin as major depositional centers. These depositional centers are characterized by predominantly marine clastic sediments in the basinal environment and carbonate reefal complexes on the Lennard Shelf and the northern edge of the Broome Platform. South of the Broome Platform, the late Devonian was a period of nondeposition/erosion and as a result only a restricted carbonate facies of Mellinjerie Limestone were preserved.



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During the Tournaisian Age of Early Carboniferous time transgressive shallow marine conditions were established over most of the Fitzroy Trough and Gregory Sub-basin resulting in the deposition of a thick sedimentary sequence of the Laurel Formation comprised of limestones, shales and sandstones. Continued subsidence and rift-infilling throughout the Visean Age resulted in the deposition of deltaic sediments of the Anderson Formation. The Laurel and Anderson sequences are absent on and south of the Broome Platform and on the northern part of the Lennard Shelf.

A major regional unconformity referred to as the Meda Transpression separates the Devonian-Lower Carboniferous rocks from the Upper Carboniferous and Permian sedimentary sequence which is represented by fluvial, partly glacial and marine clastic sediments of the Reeves and Grant formations. The remaining Permian section consists of marine clastic rocks of the Poole, Noonkanbah and Liveringa formations.

Another major unconformity referred to as the Late Triassic Fitzroy Transpression resulted in erosion and significant structural changes within the Fitzroy Trough. Consequently, only a relatively thin sedimentary section was deposited in the onshore Canning Basin during the Mesozoic era.

The exploration activity in the Canning Basin has been relatively limited with only a handful of small conventional oil fields discovered to date. However, there are numerous wells in the basin which have reported oil and gas shows. There are three major petroleum systems likely present in the basin: the Ordovician, Devonian, and Permo-Carboniferous petroleum systems. The Goldwyer Formation is believed to be the source rock for the Ordovician Petroleum System. Marine shales of the Givetian – Frasnian Gogo Formation are considered to be the source rock for the predominantly carbonate reservoirs of the Devonian petroleum system. The source rock for the Permo-Carboniferous Petroleum System is interpreted to be the marine shales of the Laurel Formation and the reservoir is interpreted to be interbedded sandstones of the Laurel and possibly Anderson and Grant formations.

A simplified stratigraphic column for the Canning Basin is presented in Figure 9. A brief discussion of the Goldwyer Formation is also presented below.



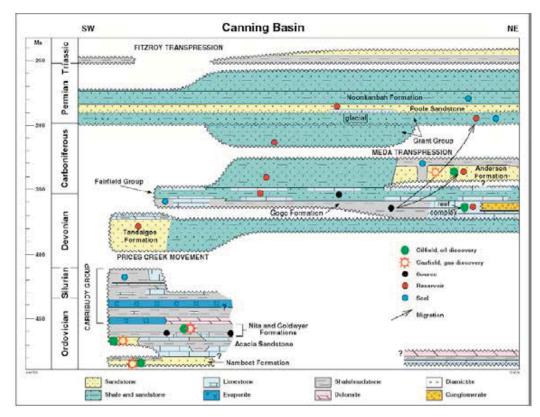


Figure 9 - Canning Basin Stratigraphic Column (Source: GSWA Explorers Guide)

5.3.1 **Goldwyer Formation**

The Goldwyer Formation was deposited in mainly open marine to intertidal conditions and is dominated by mudstone and carbonate, although the ratio of these components varies across the basin. The coarser siliciclastic rocks increase in abundance towards the southeastern margin of the basin. The thickness of the formation averages approximately 400 metres, but is known to reach thicknesses up to 700 metres in the Kidson Sub-basin.

As mentioned above the Goldwyer Formation is believed to be the source rock for the Ordovician Petroleum System. There is relatively sparse TOC data for the Goldwyer Formation, but it is reported to range from one to four percent. There is a gradual dip in the Kidson Sub-basin from shallow in the northwest to the deeper in the southeast. This gradual dip could coincide with a change in thermal maturity with the northwest area being more oil-prone and the southeast area being more gas-prone.

Exploration Potential

The primary focus of UIL's exploration will be on potential unconventional targets in the Goldwyer Formation. There has been relatively limited exploration into the Goldwyer Formation



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in the Canning Basin, particularly near UIL's STP-SPA-0040 Permit. UIL initially intends to conduct a high quality airborne gravity survey across the STP-SPA-0040 Permit and subsequently drill vertical stratigraphic wells to gather critical information about the Goldwyer Formation including TOC content, thermal maturity and areal extent. The STP-SPA-0040 Permit covers a large area of approximately 12,500 km² and so if it is determined from future work that the Goldwyer Formation is laterally extensive and has the reservoir characteristics suitable for development the resource potential could be large.

UIL's STP-EPA-0097 and STP-SPA-0026 Permits are located between ConocoPhillips ("Conoco") and Australian based New Standard Energy ("New Standard") EP-456 and EP-450 Permits. As part of the farm-in agreement between Conoco and New Standard, Conoco agreed to drill and evaluate a number of wells targeting the Goldwyer Formation over a four year term for a total of \$119 million. The first well, Nicolay-1, was spudded in August 2012 approximately 60 kilometres northwest of the STP-SPA-0026 Permit and 2.5 kilometres east of STP-EPA-0097 Permit. According to information contained within some of New Standard's presentations the TOC measurements were lower than anticipated but there were several potential hydrocarbon indications over the Goldwyer Formation. Initial work seems to indicate that the wells is located in the late oil to wet gas window. A second well, Gibb Maitland-1, was drilled, but encountered technical problems and has subsequently been abandoned. This well did encounter elevated background gas at the depths where the technical problems occurred and there are plans to return to the well and continue drilling.

New Standard and Conoco have done preliminary work based on the existing wells in the area and some of this work has been presented in New Standard's online presentations. According to material contained in these presentations the Goldwyer Formation in the STP-SPA-0026 Permit is expected to be encountered at depths ranging from 3,000 to 3,500 metres and could be in the gas generating window. The results from New Standard and Conoco's evaluation of the Goldwyer Formation will be vital to the exploration potential in the STP-EPA-0097 and STP-SPA-0026 Permits.

Overall UIL's Canning Permits do appear to be worth exploring although a significant amount of data still needs to be acquired to better understand the ultimate potential of the Goldwyer Formation. There may also be potential for shallow conventional accumulations on the edges of the Samphire Graben, but these types of accumulations will need to be identified from future seismic.



Term/Abbreviation

"exploration well"

GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

Meaning

The following is a glossary of technical terms and a list of the abbreviations used in this report:

Territ/Appreviation	meaning
"2-D Seismic"	seismic data acquired in a grid of lines that is relatively broad spaced, and is processed in two dimensions $ \\$
"3-D Seismic"	seismic data acquired in a grid that is relatively close-spaced and dense, and is processed in three dimensions
"AAPG"	American Association of Petroleum Geology
"anticline"	a hydrocarbon trap where the reservoir has a convex geometry
"API"	a specific gravity scale development by the American Petroleum Institute for measuring the relative density of various petroleum fluids, expressed in degrees
"appraisal well"	a well drilled as part of an appraisal drilling programme which is carried out to determine the physical extent, reserves and likely production rate of a field
"basin"	a geological depression caused by tectonic activity by which sediments can accumulate
"bbl"	one barrel of oil; 1 barrel = 35 Imperial gallons (approx.), or 159 litres (approx.); 7.5 barrels = 1 tonne (approximately depending upon the oil density); 6.29 barrels = 1 cubic metre
"Bcf"	billion cubic feet
"block"	term commonly used to describe contract areas or tract, as in "block of land"
"BOE"	barrels of oil equivalent, a conversion used to equate the amount of energy equivalent to a barrel of oil. One barrel of oil contains approximately as much energy as 6000 standard cubic feet of gas
"bopd"	barrels of oil production per day
"bpd"	barrels per day
"bwpd"	barrels of water production per day
"Carboniferous"	geological period between 354 and 295 million years ago
"chance of discovery"	the chance that the potential accumulation will result in the discovery of petroleum
"completion"	the operation of perforating, stimulating and equipping an oil or gas well
"condensate"	hydrocarbons which are in the gaseous state under reservoir conditions and which become liquid when temperature or pressure is reduced. A mixture of pentanes and higher hydrocarbons
"contingent resources"	Quantities of petroleum estimated, as at a given date, to be potentially recoverable from known accumulations, but applied project(s) are not yet considered mature enough for commercial development due to one of more contingencies
"Cretaceous"	geological strata formed during the period 140 million to 65 million years ago
"cross section"	a geological diagram through a vertical section of the earth, as opposed to an areal view, which is useful in the inference of surface and subsurface geology
"dip"	the inclination of a horizontal structure from the horizontal
"discovery"	A defined term under PRMS. "A discovery is one petroleum accumulation, or several petroleum accumulations collectively, for which one or several exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially moveable hydrocarbons."
"EP"	Exploration Permit
"Empire"	Empire Oil & Gas



a well in an unproven area or prospect, may also be known as a "wildcat well"

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Term/Abbreviation	Meaning
"fault"	a break in the earth's crust where there has been displacement of one side relative to the other. Sometimes a layer of non-porous rock may be next to an oil-bearing porous interval along a fault and form a trap for the oil
"field"	a geographical area under which an oil or gas reservoir lies
"formation"	a unit of rock
"frac"	fracture
"gas field"	a field containing natural gas but no oil
"graben"	a normally faulted elongate trough or block of rock, down-thrown on both sides
"gravity survey"	a type of survey that measures the relative gravitational force of subsurface rocks based on density difference to determine their structure
"GRV"	gross rock volume
"hydrocarbon"	a compound containing only the elements hydrogen and carbon. May exist as a solid, a liquid or a gas. The term is mainly used in a catch-all sense for oil, gas and condensate
"hydraulic fracture"	a type of well completion technique whereby a fluid, called the "fracking fluid" is injected into the ground at high pressure which causes the rock to crack, or "fracture". These fractures are held open by a chemical called a "proppant" so the hydrocarbons may be produced from them.
"Jurassic"	geological strata (or period) formed during the period from 144 million to 205 million years ago
"km"	kilometres
"M"	thousands
"Mbbl"	thousands of barrels
"Mcfpd"	thousands of cubic feet per day
"mD"	milli Darcy (permeability)
"MM"	millions
"MMbbl"	millions of barrels
"MMcfpd"	millions of cubic feet per day
"natural gas"	gas, occurring naturally, and often found in association with crude petroleum
"net pay"	the total thickness of hydrocarbon bearing sediments that is classified as reservoir
"oil field"	a geographic area under which an oil reservoir lies
"oil"	a mixture of liquid hydrocarbons of different molecular weights
"operator"	the company that has legal authority to undertake petroleum operations.
"P10"	the term used to describe the volume of reserves defined as having a better than 10% chance of being technically and economically viable.
"P50"	the term used to describe the volume of reserves defined as having a better than 50% chance of being technically and economically viable.
"P90"	the term used to describe the volume of reserves defined as having a better than 90% chance of being technically and economically viable.
"permeability"	the property of a formation which quantifies the flow of a fluid through the pore spaces and into the wellbore
"Permian"	a geological period between 250 to 295 million years ago
"petroleum"	a generic name for hydrocarbons, including crude oil, natural gas liquids, natural gas and their products
"PIIP"	petroleum initially in place



Term/Abbreviation	Meaning
"pool"	an individual and separate accumulation of petroleum in a reservoir
"porosity"	the percentage of void in a porous rock compared to the total rock volume
"PRMS"	Petroleum Resource Management System
"probabilistic"	a method of estimating an uncertain outcome whereby a range of values is used for each parameter in a calculation. Results are generally expressed as a range with an associated probability of occurrence
"property gross"	the total reserves or resources for the property
"prospective resources"	Quantities of petroleum estimated, as at a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development
"reserves"	generally the amount of economically recoverable oil or gas in a particular reservoir that is available for production
"reservoir"	the underground formation where oil and gas has accumulated. It consists of a porous and permeable rock to hold the oil or gas, and a cap rock that prevents its escape
"risked"	after accounting for chance of success or discovery
"SPA"	Special Prospecting Authority
"SPE"	Society of Petroleum Engineers
"SPEE"	Society of Petroleum Evaluation Engineers
"stimulated"	an umbrella term for a treatment that is performed to a well to enhance or restore its hydrocarbon productivity
"STP-EPA"	Exploration Permit Application
"stratigraphic trap"	a mode of trapping hydrocarbons which is not dependent on structural entrapment
"strike-slip faulting"	a fault in which the blocks on opposite sides of the fault have moved horizontally
"structural high"	an area where rocks have been elevated due to tectonic activity
"TD"	total depth of a well, when drilling has finished
"Total Organic Carbon"	the concentration of organic carbon material in a geological formation, which can be used to assess whether the formation is an effective source rock for containing hydrocarbons.
"Triassic"	geological period between 250 and 205 million years ago
"unrisked"	prior to taking into account the chance of discovery
"up-dip"	at a structurally higher elevation within dipping strata
"US\$ M"	thousands United States dollars
"US\$ MM"	millions United States dollars
"US\$"	United States dollars
"well log"	a record of geological formation penetrated during drilling, including technical details of the operation
"wet gas"	natural gas that contains less methane and more heavier hydrocarbons
"WPC"	World Petroleum Congress
"zone"	a general term meaning an interval or unit of rock. A zone in a well would be an interval typically defined by a top and bottom depth. A fault zone would be the unit of rock associated and the area around a fault



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PROFESSIONAL QUALIFICATIONS

McDaniel & Associates Consultants Ltd. has over 50 years of experience in the evaluation of oil and gas properties. McDaniel & Associates Consultants Ltd. is registered with the Association of Professional Engineers and Geoscientists of Alberta (APEGA). All of the professionals involved in the preparation of this report have in excess of five years of experience in the evaluation of oil and gas properties. This report is based on, and fairly represents, information and supporting documentation prepared by, or under the supervision of Mr. Bryan Emslie, Senior Vice President, Mr. Cam Boulton, Associate, and Mr. Mikhail Alexeev, Senior Geologist, each employed by McDaniel & Associates. Mr. Emslie has over 30 years of experience in the evaluation of oil and gas properties; Mr. Boulton has over 7 years of experience; and Mr. Alexeev has in excess of 10 years and each of Mr. Emslie, Mr. Boulton and Mr. Alexeev are members of APEGA. All of the persons involved in the preparation of this report and McDaniel & Associates are independent of UIL.

In preparing this report, we relied upon factual information including ownership, technical well and seismic data, contracts, and other relevant data supplied by UIL. The extent and character of all factual information supplied were relied upon by us in preparing this report and has been accepted as represented without independent verification. We reserve the right to revise any opinions provided herein if any relevant data existing prior to preparation of this report was not made available or if any data provided is found to be erroneous.

Sincerely,

McDANIEL & ASSOCIATES CONSULTANTS LTD. **APEGA PERMIT NUMBER: P3145**

B. H. Emslie, P. Eng. Senior Vice President C. T. Boulton, P. Eng.

Can Bouter

Associate

M. Alexeev, P. Geol. Senior Geologist

BHE/CTB/MA:jep [14-0172]



UIL ENERGY LTD

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Gross Gas Thickness Map – CCM Formation – 3,850 to 4,400 Metres (P1 Case)	Figure 4



UIL Energy Ltd

EP 447, EP 488 & EP 489 Permits - Cattamara Coal Measures Petroleum Initially in Place - Property Gross Values Effective as of June 30, 2014

Prospect Description

Pool Name Classification Country Basin

EP 447, EP 488 & EP 489 Permits

Exploration Australia

Zone Description

Formation Stucture Type Depth Reservoir Type

Cattamara Coal Measures Pervasive Accumulation

Input Parameters - Rock Properties

	Distrib.	Input Para	meters	Calculated Parameters			
Parameter	Туре	P90	P10	P99	P50	Mean*	P1
Gross Rock Volume, 1,000 ac-ft	Log-normal	4,811	83,000	1,507	19,983	34,336	265,004
Net to Gross Ratio, %	Normal	10	25	4	18	18	31
Exploitable Pay, %	Normal	100	100	100	100	100	100
Porosity, %	Normal	5.0	9.0	3.4	7.0	7.0	10.6

input Parameters - Fluid Prop	erties						
	Distrib.	Input Parar	Input Parameters Calculated Parameters				
Parameter	Type	P90	P10	P99	P50	Mean*	P1
Percentage Hydr. Filled, %	Normal	100	100	100	100	100	100
Oil or Gas Saturation, %	Normal	60	80	52	70	70	88
Oil Shrinkage, stb/rb	Uniform						
Pressure, psia	Uniform	6,614	7,579	6,494	7,106	7,106	7,699
Temperature, F	Uniform	225	255	221	240	240	259
Z Factor, frac	Uniform	1.00	1.20	0.98	1.10	1.10	1.23
Solution Gas GOR, scf/bbl	Uniform						
Cond. Gas Ratio, bbl/MMcf	Uniform						

iliput rafailleters - Recoveries							
	Distrib.	Input Parameters		Ca	Iculated Par	ameters	
Parameter	Туре	P90	P10	P99	P50	Mean*	
Oil Recovery Factor, %	Normal						
Non-Assoc. Gas Recovery Factor, %	Normal						
Gas Shrinkage (fuel, flare and losses), %	Normal						

Geological Chance of Success

ecological charics of caccess					
Parameter	Value				
Source	0.80				
Migration & Time	1.00				
Reservoir	0.40				
Structure	1.00				
Seal	0.40				
Overall	0.13				

Percentage Oil (of Hydr.), % Percentage Gas (of Hydr.), %



Calculated Results

In-Place Volumes	
Crude Oil - OOIP, MMbbl	
Non-Assoc. Natural Gas - OGIP, Bcf	
Total BOF - OOIP, MMbbl	Τ

Prospective Resources	
Crude Oil, MMbbl	
Non-Assoc. & Assoc. Natural Gas, Bcf	
Condensate, MMbbl	
Total BOE, MMbbl	

Total BOE Resources
In Place Volumes, MMboe (1)
Prospective Resources, MMboe (1)

(1) Based on a Mcf to BOE conversion of 6 to 1.

Unrisked							
P90	P50	Mean*	P10				
514	2,308	4,160	9,927				
86	385	693	1.655				

	Unrisk	ed		Risked
P90	Mean			

Total BOE

	Risked			
P90	P50	Mean*	P10	Mean
86	385	693	1,655	



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UIL Energy Ltd

EP 447, EP 488 & EP 489 Permits - Cattamara Coal Measures Prospective Resource Estimates - Property Gross Values Effective as of June 30, 2014

Prospect Description

Pool Name Classification Country Basin

EP 447, EP 488 & EP 489 Permits

Exploration Australia

Zone Description

Formation Stucture Type Depth Reservoir Type Cattamara Coal Measures Pervasive Accumulation

Clastic

Table 2

Innut Parameters - Rock Properties

input Parameters - Rock Properties								
	Distrib.	istrib. Input Parameters			Calculated Parameters			
Parameter	Туре	P90	P10	P99	P50	Mean*	P1	
Gross Rock Volume, 1,000 ac-ft	Log-normal	4,811	83,000	1,507	19,983	34,336	265,004	
Net to Gross Ratio, %	Normal	10	25	4	18	18	31	
Exploitable Pay, %	Normal	60	80	52	70	70	88	
Porosity, %	Normal	5.0	9.0	3.4	7.0	7.0	10.6	

Input Parameters - Fluid Properties								
	Distrib.	Input Parameters			Calculated Parameters			
Parameter	Туре	P90	P10	P99	P50	Mean*	P1	
Percentage Hydr. Filled, %	Normal	100	100	100	100	100	100	
Oil or Gas Saturation, %	Normal	60	80	52	70	70	88	
Oil Shrinkage, stb/rb	Uniform							
Pressure, psia	Uniform	6,614	7,579	6,494	7,092	7,092	7,699	
Temperature, F	Uniform	225	255	221	240	240	259	
Z Factor, frac	Uniform	1.00	1.20	0.98	1.10	1.10	1.23	
Solution Gas GOR, scf/bbl	Uniform							
Cond. Gas Ratio, bbl/MMcf	Uniform							

input Farameters - Recoveries								
	Distrib. Input Parameters		Calculated Parameters					
Parameter	Туре	P90	P10	P99	P50	Mean*	P1	
Oil Recovery Factor, %	Normal							
Non-Assoc. Gas Recovery Factor, %	Normal	15	30	9	23	23	36	
Gas Shrinkage (fuel, flare and losses), %	Normal	5	10	3	8	8	12	

Geological Chance of Success

Scological Charles of Guescos					
Parameter	Value				
Source	0.80				
Migration & Time	1.00				
Reservoir	0.40				
Structure	1.00				
Seal	0.40				
Overall	0.13				

Percentage Oil (of Hydr.), % Percentage Gas (of Hydr.), %



Calculated Results

In-Place Volumes	
Crude Oil - OOIP, MMbbl	
Non-Assoc. Natural Gas - OGIP, Bcf	
Total BOF - OOIP, MMbbl	Τ

Prospective Resources
Crude Oil, MMbbl
Non-Assoc. & Assoc. Natural Gas, Bcf
Condensate, MMbbl
Total BOE, MMbbl

Total BOE Resources	
In Place Volumes, MMboe (1)	
Prospective Resources, MMboe (1)	

(1) Based on a Mcf to BOE conversion of 6 to 1.

	Unrisk	ed	
P90	P50	Mean*	P10
354	1,613	2,935	6,904
59	269	489	1,151

	Unris	sked		Risked
P90	P50	Mean*	P10	Mean
69	328	610	1,450	78
11	55	102	242	13

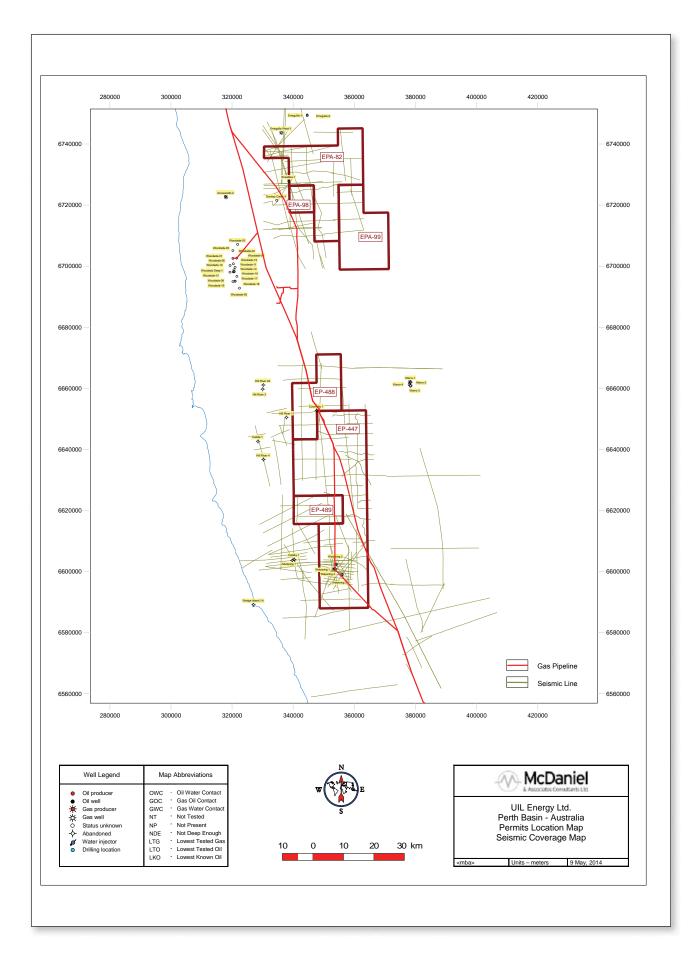
Total BOE

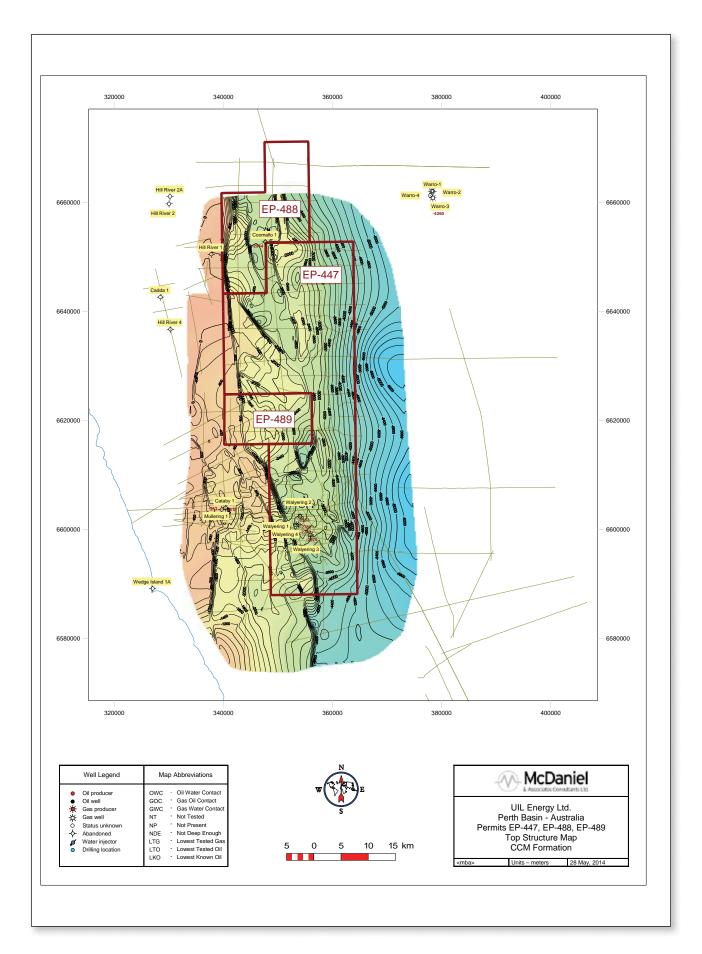
	Unriske	ed		Risked
P90	P50	Mean*	P10	Mean
59	269	489	1,151	
11	55	102	242	13

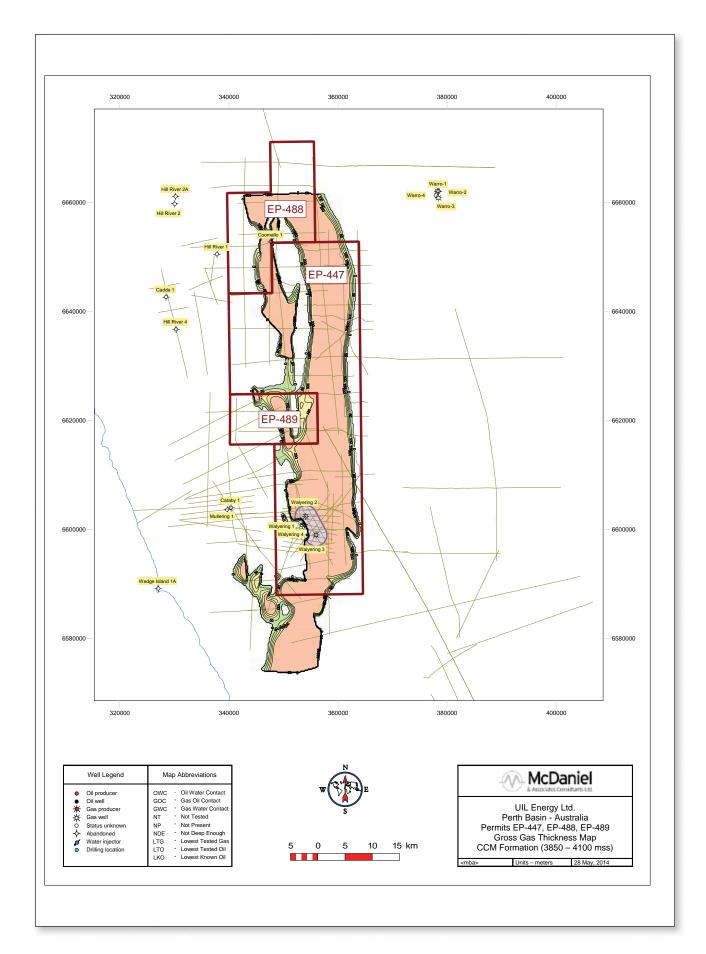


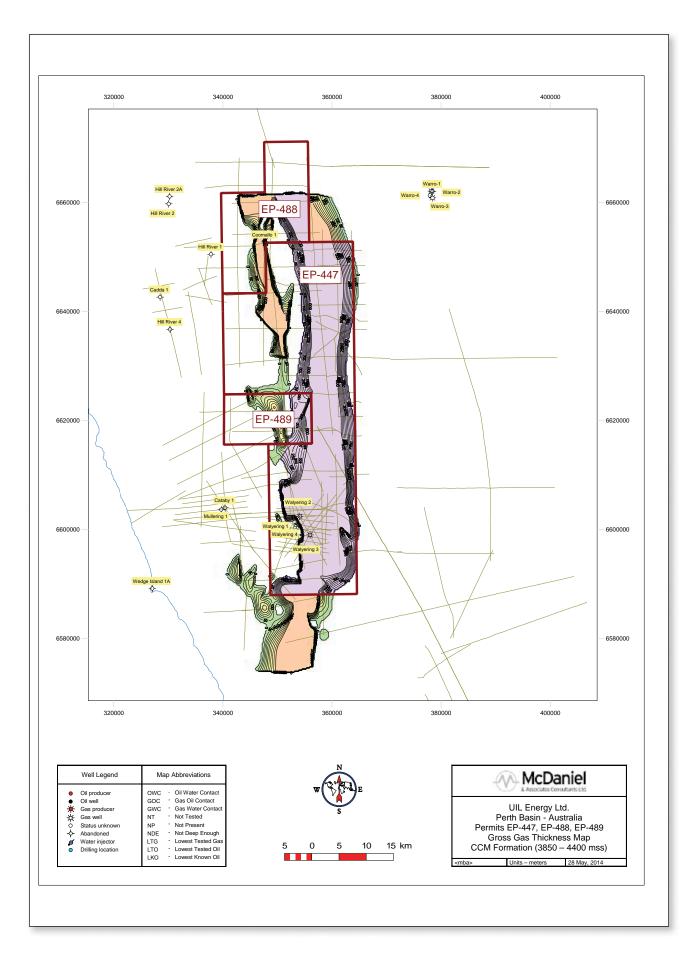
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Permit Commitments, 100 Percent Basis

Table 1



							l.				F
Basin	Permit	Activity	YE 30/06/15	30/6/16	30/6/17	7 ear Ending 30/6/18 30	aing 30/6/19	30/6/20	30/6/21	30/6/22	Activity (000's)
PFRTH	FP 447 Yr 1	1 Geotechnical Studies	250								\$250
	_			5,000							\$5,000
	Yr 3				1,000						\$1,000
	Ϋ́	Yr 4 Geotechnical Studies				250					\$250
	Yr 5						5,000				\$5,000
PERTH	EP 488 Yr1	,	600								\$600
	Yr 2	. 1		1,000							\$1,000
	Yr 3	1 Exploration Well			5,000						\$5,000
	Yr 4	,				1,000					\$1,000
	Ϋ́						5,000				\$5,000
	Yr 6	Geotechnical Studies						500			\$500
PERTH	EP 489 Yr 1		350								\$350
	Yr 2	2 40km new 2D Seismic Survey		400							\$400
	Yr 3				150						\$150
	Yr 4	4 1 Exploration Well				5,000					\$5,000
	Ϋ́	Yr 5 40km new 2D Seismic Survey					400				\$400
	Yr 6	6 Geotechnical Studies						150			\$150
PERTH	EPA0082 Yr 1	1 150km new 2D Seismic Survey			1,650						\$1,650
	Yr 2	2 1 Exploration Well				8,000					\$8,000
	Yr3	3 80km2 new 3D Seismic Survey					2,000				\$2,000
	Yr 3	3 Fracture Stimulation on Yr 2 exploration well					3,500				\$3,500
	Yr 4	4 1 Exploration Well						8,000			\$8,000
	Yr 5	,							1,650		\$1,650
	Yr 5	Fracture Stimulation of							3,500		\$3,500
	Yr 6	· ~								8,000	\$8,000
PERTH	EPA0098 Yr 1	1 2D Seismic reprocessing & studies			100						\$100
	Yr 2	٠.				200					\$700
	Yr 3						800				\$800
	Yr 4							8,000			\$8,000
	Yr 5	5 Studies & Well Stimulation Yr 4 exploration well							3,750		\$3,750
	Yr 6	6 Geotechnical Studies								250	\$250
PERTH	EPA0099 Yr 1	1 2D Seismic reprocessing & studies			100						\$100
	Yr 2	2 150km new 2D Seismic Survey				2,000					\$2,000
	Yr 3						8,000				\$8,000
	Yr 4							1,600			\$1,600
	≻ ∶	150km new 2D Seism							1,650		\$1,650
	Υ,								3,500		\$3,500
		Yr 6 1 Exploration Well								8,000	\$8,000
CANNING	SPA0026	Airborne Gravity Survey	100								\$100
	SPA0040		200								\$200
	EPA0097 Yr 1				100						\$100
	Yr 2					3,000					\$3,000
	Yr 3						000'6				\$9,000
	Yr 4	4 Geotechnical Studies						500			\$500
	Ϋ́								2,000		\$2,000
	Yr 6	6 1 Exploration Well								10,000	\$10,000
TOTALS (Ind	TOTALS (Indicative Cost Commitment)	ommitment):	\$1,800	\$6,400	\$8,100	\$19,950	\$33,700	\$18,750	\$16,050	\$26,250	\$131,000

PERMIT Commitments (Indicative Cost 100% basis)





Tenement Report **UIL Energy Limited**

As at 31 July 2014

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Section 1 Introduction

- We have been instructed by UIL Energy Limited ACN 153 352 160 (UIL) to prepare (a) this independent solicitor's tenement report in respect of petroleum tenements and tenement applications located in Western Australia.
- (b) UIL has advised that this report will be included in the UIL prospectus to be dated on or about 19 August 2014 for the initial public offer of shares in UIL.
- (c) The information in this report is subject to the qualifications in Section 4 and Section 5.
- (d) Capitalised terms not defined in the body of the report are defined in the glossary at the end of the report.

Section 2 **Tenements**

- The tenements the subject of this report consist of a total of two SPAAs, four EPAs and (a) three EPs.
- UIL's projects are located across two basins in Western Australia, namely: (b)
 - the Perth Basin, comprising: (1)
 - EP447 held 50% by GCC Methane Pty Ltd (ACN 118 251 497) and (A) 50% by UIL;
 - three EPAs made by UIL for which UIL has been granted preferred (B) applicant status by DMP (EPA82, EPA98 and EPA99);
 - (C) two EPs held by UIL (EP488 and EP489); and
 - the Canning Basin, comprising an EPA (EPA97) and two SPAAs made by UIL (2)(SPAA26 and SPAA40).
- (c) The tenements that have been granted are collectively referred to as the Granted Tenements. The Tenements that have not been granted are collectively referred to as the Applications. The Granted Tenements and the Applications together make up the Tenements.
- The schedules attached to this report contain further information in respect of each of (d) the Tenements.

Section 3 **Executive Summary**

3.1 Opinion and conclusion

Subject to the matters set out in Section 3.2 and Section 3.3 and the comments and qualifications set out in this report, HopgoodGanim are of the opinion that, as at the date of this report:

- UIL is the sole registered holder of EP488 and EP489; (a)
- (b) UIL has a 50% registered interest in EP477;

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- (c) UIL is the applicant for the EPAs and SPAAs;
- (d) to the best of our knowledge, there is nothing to suggest the Tenements are not in good standing; and
- (e) to the best of our knowledge, there is nothing to suggest there has been material noncompliance with applicable laws affecting the Tenements.

3.2 Key issues: Granted Tenements

(a) The Granted Tenements overlap with a number of mineral tenements. These overlapping tenements need to be considered when planning exploratory activities. One way to manage the risks associated with overlapping tenure is to enter into commercial arrangements with the overlapping authority holder. Overlapping tenure is commonly managed in WA and does not present an insurmountable obstacle to exploration.

3.3 Key issues: Applications

- (a) The areas of the EPAs and SPAAs are subject to native title claims or determinations and accordingly, the future act provisions of the NT Act must be complied with prior to the grant of the Applications. In summary, we are advised by UIL that the status of these negotiations is as follows:
 - agreements have been reached and signed with the native title parties in respect of SPAA26 and SPAA40. Both SPAAs are awaiting formal grant by DMP;
 - (2) negotiations in respect of EPA82, EPA98 and EPA99 are progressing with the Widi Mob and the Amangu People. The EPA82 agreement is intended to be a template for EPA98 and EPA99 where the same indigenous representatives are involved; and
 - (3) negotiations have commenced with the Nyangumarta for EPA097 and are expected to commence soon with the Kulyakartu.
- (b) Further details of the status of the negotiations are set out in the table at Section 18.4.
- (c) The Minister has a discretion as to whether or not to grant an EP or SPA, which cannot be exercised until native title processes have been successfully completed (see Section 18.3 below).
- (d) The Applications (except EPA97, EPA98 and SPAA26) overlap with a number of mineral tenements. The comments regarding the management of overlapping tenure in Section 3.2(a) will also be relevant to the EPAs and SPAAs once granted.

Section 4 Scope of works

- (a) The report deals with legal due diligence matters relating to the Tenements and has been prepared to:
 - confirm that UIL has good title to the Tenements of which it is the registered holder or for which it is the applicant;
 - (2) determine the nature of UIL's interest in EP447;

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- (3)where possible, confirm the good standing of the Tenements; and
- (4)where possible, confirm that there has been no material non-compliance with applicable laws affecting the Tenements as at the date of this report.
- (b) The legal due diligence enquiries undertaken by HopgoodGanim in relation to the Tenements involved reviewing:
 - searches of DMP's online 'Petroleum and Geothermal Register' conducted on 2 July to 4 July 2014 and 31 July 2014;
 - searches of the DAA's 'Aboriginal Heritage Inquiry System' conducted on 3 (2) July 2014;
 - searches of DER's 'Contaminated Sites Database' on or about 2 July 2014;
 - NNTT searches conducted on 4 July 2014; (4)
 - (5)DMP's TENGRAPH database and online mapping system on 2 to 3 July 2014;
 - (6) DMP's Geoview database and online mapping tool on 3 July 2014; and
 - documents provided by UIL on 28 June 2013, 11 October 2013 and 14 October (7)
- Section 4(a) and Section 4(b) together form the Scope. No other matters form part of (c) the Scope of this report. We have not been instructed to, nor have we, concerned ourselves as part of this report with business or financial due diligence or an assessment of business, financial, technical or regulatory risks (apart from those regulatory risks necessarily falling within the Scope).

Qualifications Section 5

5.1 **Assumptions**

We have made the following assumptions in the preparation of this report:

- Our investigations were confined to searches and enquiries described in paragraph (a) Section 4(a)(3) of this report. We note that this report is accurate and complete only to the extent that the reports extracted from these searches and enquiries are correct as at the date they were conducted.
- (b) There have been no material changes in the standing of the Tenements since the dates of our searches.
- All information provided by UIL is true, correct, complete and accurate and all (c) documents provided by UIL are properly executed and valid on their face.
- (d) The Ministers administering the relevant Acts and each of their delegates have been validly appointed and have acted within the scope of their power, authority and discretion in granting the Tenements and are able and willing to grant any required consents and approvals under relevant legislation.

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5.2 Other

Where we state in this report that 'we have been instructed' or 'we have been informed' this indicates that we have relied on the statements (whether written or oral) of employees of UIL or DMP, respectively. We have been unable to verify the accuracy of these statements as this verification is outside the Scope of the report.

Section 6 Governing legislation

6.1 Overview

The Tenements are granted, or have been applied for, under the PGER Act. The PGER Act provides for the grant of petroleum access authorities, drilling reservations, SPAs, EPs, RLs and PLs.

6.2 SPAs

- (a) SPAs enable geophysical surveys to be undertaken in vacant areas as a preliminary means of assessment. An application for a SPA may be made with an Acreage Option (AO). An AO gives the holder the exclusive right to apply for the grant of an EP or drilling reservation at the expiry of the SPA (s 105 PGER Act).
- (b) The Minister may grant the SPA on the conditions that he or she thinks fit for a period of 6 months. A SPA authorises the holder to carry out the operations specified in the instrument of grant. It does not authorise the holder to drill a well. A SPA cannot be transferred or otherwise dealt with (s 105 PGER Act).

6.3 EPs

- EPs are made available through a periodic release of vacant acreage for a work program based competitive bid process (s 30 PGER Act).
- (b) An application must be accompanied by particulars of the proposals of the applicant's work program and expenditure, the applicant's technical qualifications, the technical advice available to the applicant and the financial resources available to the applicant (s 31(d) PGER Act). Where more than one application is made for the same area, the Minister will grant the EP to the applicant that is the 'most deserving' having regarding to the publicly available criteria (s 32A PGER Act).
- (c) The Minister may refuse to grant the EP or grant the EP on the conditions he sees fit and specifies in the permit (s 32, s 43 PGER Act). An EP authorises the holder to explore for petroleum and to carry on such operations and works for that purpose in the EP area (s 38 PGER Act).
- (d) Where an EP or drilling reservation holder discovers petroleum, it must notify the Minister and may nominate the area for declaration as a 'location' (s 45, s46 PGER Act).

6.4 PLs

(a) A PL may be applied for by the holder of an EP or drilling reservation in respect of a declared 'location' or by the holder of an RL (s 50, s 50A PGER Act). The application must be made within 2 years of the declaration that the area is a 'location' or up to 4 years of that date with the Minister's consent.

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(b) A PL may be granted subject to such conditions as the Minister sees fit (s 66 PGER Act). A PL entitles the holder to recover and explore for petroleum and carry on such operations and works as necessary for those purposes in the PL area (s 62 PGER Act).

Section 7 Title to the Tenements

7.1 Granted Tenements

- (a) UIL is the sole registered holder of EP 488 and EP 489.
- (b) GCC Methane Pty Ltd (ACN 118 251 497) (GCC) and UIL are the joint registered holders of EP447 with each holding a 50% legal interest in the tenement. The DMP has confirmed that UIL's 50% legal interest was registered on the physical Petroleum and Geothermal Register on 18 July 2014, although the online Petroleum and Geothermal Register has yet to be updated due to technological issues.
- (c) UIL earned its 50% legal interest in EP447 pursuant to the EP447 Farm In Agreement. Further details on the EP447 Farm In Agreement are set out in Section 20.
- (d) There are also a number of dealings registered in respect of EP447 which are discussed further at Section 13. We are unable to confirm whether these dealings affect the title of the holder to EP447 as we have not conducted a historical chain of title analysis for the tenement.

7.2 Applications

- (a) UIL is the sole applicant for the EPAs and if granted, will be the sole registered holder of the EPs. The application for EPA82 was made on 2 November 2012 and UIL was advised of its preferred applicant status by DMP on 14 March 2013. The applications for EPA97, EPA98 and EPA99 were each made on 17 April 2013 and UIL was advised of its preferred applicant status by DMP on 10 October 2013.
- (b) UIL is the sole applicant for SPA26 and SPA40. If granted, UIL will be the sole registered holder of SPA26 and SPA40.
- (c) The areas of the EPAs and SPAAs are subject to native title claims and accordingly, the future act provisions of the NT Act must be complied with prior to the grant of the Applications. The status of the native title negotiations is discussed further at Section 18.4. The Minister has a discretion as to whether to grant an EP or SPA.

Section 8 Renewal

8.1 Renewal provisions

(a) Under the PGER Act, an EP is granted for an initial term of 6 years. An EP may be renewed for a further term of 5 years on two occasions (giving a total term of 16 years) (s 39, s 42A PGER Act). The restriction relating to only two renewals of an EP was introduced in 2011 and only applies to EPs granted after this time.¹

¹ The Petroleum and Energy Legislation Amendment Act 2010 (WA) commenced on 25 May 2011.



8.2 Tenements

(a) EP447 was granted prior to 2011 and the two renewal restriction is not relevant to it. However, the two renewal restriction is relevant to EP488 and EP489 and will be relevant to the EPAs when granted.

Section 9 Relinquishment

- (a) On each renewal of an EP, the holder will be required to relinquish 50% of the existing area of the EP (s 41 PGER Act). There are special provisions relevant where the EP has 6 blocks or less.
- (b) EP447 was recently renewed from 23 August 2013 with a continuing area of 15 blocks (that is, relinquishment was not required).
- (c) Relinquishment is not relevant to EP488 and EP489.

Section 10 Annual fees and royalties

- (a) Annual fees are payable to the State for EPs and PLs on the anniversary of the grant of the tenement (s 137, s 138, s 139 PGER Act). The current rate for EPs is the greater of \$1,966 or \$751 per block. The current rate for PLs is \$16,352 per block (r 3 Regulations).
- (b) Royalties are also payable to the State in respect of all petroleum energy recovered by a PL holder in the PL area (s 142 PGER Act). The royalty rate for a PL is determined by the Minister for each PL and is currently between 10% and 12.5% of the royalty value of that petroleum (for all petroleum other than 'tight gas') (s 52 PGER Act).
- (c) Details of the most recent annual fee payments for the Granted Tenements are set out in Schedule 1.

Section 11 Bonds and insurance

- (a) There is no environmental bond, financial assurance or security required to be paid to the State to ensure compliance with the PGER Act and the conditions of a tenement as is common in other States and for mineral tenements.
- (b) Instead, it is a condition of a tenement that the holder must maintain insurance (s 91A PGER Act). That insurance must cover expenses or liabilities or specified things arising in connection with the carrying out of work under the tenement, including the expenses of complying with directions with respect to the clean up or other remedying of the effects of the escape of petroleum energy resources.
- (c) We have no information in respect of the insurance (if any) maintained by the holders of the Granted Tenements. Accordingly, we are unable to confirm compliance with the requirements of the PGER Act in this respect.



Section 12 Work program and expenditure

- (a) As discussed above at Section 6.3(b), EPs are granted subject to the terms and conditions that the Minister sees fit. These conditions may include specific minimum work program and expenditure commitments that must be met each year.
- (b) The minimum work plan requirements and estimated expenditure for EP488 and EP489 and for the renewed term of EP447 are set out in Schedule 1.²
- (c) If the minimum work program commitments are not met for the permit term, the Minister may exercise his discretion to cancel the EP or, at the time or renewal, not renew the EP (s 42, s 99 PGER Act).
- (d) Under the EP477 farm in agreement (see the discussion at Section 20), UIL is obligated to pay in proportion to its 50% interest in EP447 all costs and expenses in relation to EP447 (including expenditure commitments).

Section 13 Registered dealings

13.1 Other registered dealings

- (a) There are a number of historical registered dealings in respect of EP447. If these dealings have not been validly terminated, the result may be that other parties have rights or interests in respect of the tenement (other than the registered holder) which may affect adversely the earning or acquiring of an interest by UIL.
- (b) To the extent that any instrument purporting to deal with the tenement is unenforceable, then its subsequent registration will not make it enforceable. This is to be contrasted with for example, Torrens land title, where once ownership is recorded on the register a person will acquire indefeasible title (title free from all other interests, except other registered interests, as against the whole world) to the land (subject to a few exceptions). Torrens title has been described as a system of title by registration, whereas registration under the PGER Act is merely a system of registration of title.
- (c) We have not reviewed the registered dealings prior to the date UIL entered into the farm in agreement because:
 - (1) to conduct a historical chain of title due diligence would be an onerous and expensive task; and, in any event,
 - (2) they predate UIL's contractual interest in EP447 under the farm in agreement. The farm in agreement contains a warranty from the holder of EP447 that the tenement is not subject to any encumbrances (except for native title if it exists) (see Section 20.2 below). It should be noted that this would only give UIL a remedy for damages for breach of contract and not necessarily protect its interest to be earned under the farm-in.

13.2 Dealings relating to the farm ins

- (a) Schedule 1 sets out details of the registered dealings for EP447 post dating the farm in agreement.
- (b) In summary:

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² This information is taken from documents provided by UIL and the DMP Petroleum Geothermal register.



- (1) the EP447 Farm In Agreement has been registered as a dealing in respect of EP447; and
- (2) the other agreements relating to UIL's farm in to EP447 have been registered as dealings by DMP.
- (c) Under the PGER Act, any 'dealing' with a tenement (that is, a transfer of the title or the creation or assignment of any interests or rights in the title etc) is of no force or effect until it is registered (s 72, s 75 PGER Act).

Section 14 Overlapping tenements and authorities

14.1 Access to other petroleum tenements under the PGER Act

- (a) Where the holder of a SPA, EP, drilling reservation, RL or PL needs to conduct activities on an area in another party's petroleum tenement, it may apply for an access authority (s 106 PGER Act).
- (b) An access authority enables the holder to carry out limited exploration activities. Where access to another party's tenement is required, the applicant should seek the consent of the other title holder who is given the opportunity to comment on, but not veto, the proposed access (ss 106(4),(5A) PGER Act).

14.2 Overlapping pipeline licences

- (a) The following Tenements overlap with various pipeline licences in the area of the tenement or proposed area of the tenement: EP447, EP488, EP489, EPA98 and SPAA40. Practically, this is unlikely to have a significant impact on activities as the area required for a pipeline varies, but is usually only a narrow corridor of about 30m for access purposes, and the overlaps with the total area of the respective EPs is less than 1%.
- (b) There are no specific rules dealing with overlapping petroleum tenements and pipeline licences. Under the PP Act, a pipeline licence enables the holder to construct a pipeline only over land which it has acquired by easement, purchase or some other authorisation (s 8, s 10 PP Act). Accordingly, while exploratory activities on the EPs will be restricted in the areas overlapping with the pipeline licence it is unlikely to have a significant overall impact on activities.

14.3 Overlapping geothermal tenements

- (a) Under the PGER Act, petroleum titles and geothermal titles may subsist in respect of the same area. The PGER Act provides that the Minister must notify the registered holder of the first title and take into account any matters that the person wishes the Minister to consider before a new title is granted. This process is a consultation mechanism rather than a right to veto an application (s 69A PGER Act).
- (b) Searches obtained from DMP's TENGRAPH database indicate that:
 - (1) EPA82 overlaps with GEP28 held by Mid West Geothermal Power Pty Ltd which was granted 22 September 2009 and expires 21 September 2015 (the overlap is 6.7%).
- (c) The holder of GEP28 will need to be notified and given the opportunity to make comments prior to the grant of EPA82.One way to manage the risks associated with

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overlapping tenure is to enter into commercial arrangements with the overlapping authority holder.

14.4 Overlapping mineral tenements

- The PGER Act and the Mining Act do not explicitly address the co-existence or priority of rights between mineral tenement holders or applicants and petroleum tenement holders or applicants. However, overlapping titles can be granted to petroleum and mineral tenement holders.
- (b) A basic mechanism is in place for the resolution of disputes for competing petroleum and mining activity. S 159 of the Mining Act provides a petroleum or mining tenement holder or both may refer the matter to the warden. The warden then reports to the Minister, who may make such orders or give such directions as are in the public interest and he considers to be just and equitable. The Minister may cancel the tenement if the tenement holder fails or neglects to comply with such order or direction.
- (c) The PGER Act also provides that the holder of a petroleum tenement must not interfere with any operations being lawfully carried on by way of exploration for, or recovery of, minerals to a greater extent than is necessary for the reasonable exercise of the rights and performance of the duties of the petroleum tenement holder (s 117 of the PGER Act). Non compliance with this provision may result in a fine of \$10,000.
- (d) Mineral tenements overlap all the Tenements except EPA97, EPA98 and SPAA26. EP489 is the only Tenement overlapped by granted mineral tenements by more than
- (e) Accordingly, depending on the activity being conducted by the respective mineral tenement holder, UIL's ability to conduct petroleum exploratory activities may be restricted to the extent that those activities go beyond what is 'necessary' for the reasonable exercise of its rights. This issue can only be managed by careful planning of exploration activities and consultation with the mineral tenement holders once the EPAs or SPAAs are granted. One way to manage the risks associated with overlapping tenure is to enter into commercial arrangements with the overlapping authority holder. Overlapping tenure is commonly managed in WA and does not present an insurmountable obstacle to exploration.
- Further details of overlapping mineral tenements are shown in Schedule 3.

Section 15 Land access

15.1 Access to private land

- Private land is defined under the PGER Act as freehold land or land the subject of any lease or concession (excluding pastoral or grazing purpose leases, timber leases or a lease for the use and benefit of Aboriginals).
- Before accessing private land, a petroleum title holder must reach an agreement as to (b) compensation with the private land owner (see further the discussion at Section 15.3).
- Access to private land cannot be denied by the land owner except in limited circumstances, including where the land is:
 - private land less than 2000 square metres; (1)
 - (2)used as a cemetery or burial place; or

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- (3) within 150 metres laterally from such cemetery, burial place, reservoir or any substantial improvement (the Minister being the sole judge of whether any improvement is substantial) on land.
- (d) The owner or trustee of the land described above can agree to entry onto that land for the purposes of petroleum operations.

15.2 Access to other land

- (a) Crown land is defined under the PGER Act as all land that is not freehold land or leasehold land, except pastoral or grazing purpose leases, timber leases or a lease for the use and benefit of Aboriginals, and includes reserves.
- (b) The consent of the Minister is required prior to entering on any land that is declared as a reserve, which consent may be given on the conditions that the Minister thinks fit (s 15A PGER Act).
- (c) The tenement holder does not require consent to access other types of Crown land to carry out activities under the authority of the tenement (s 15 PGER Act).

15.3 Compensation

- (a) Operations cannot commence on private land unless agreement as to compensation (if any) has been reached with the private property owner and occupier ('occupier' is not defined). Compensation is for the land owner and occupier being deprived of possession of the land and for damage to the land. If compensation cannot be agreed between the petroleum title holder and the owner and occupier of private land either party may apply to the Magistrates Court to fix the amount of compensation.
- (b) The PGER Act provides for compensation to the owners of private land, any separate occupier of such land and also owners and or occupiers of any private land adjoining the land on which activities are being conducted who are adversely affected by those operations. Lease holders (although the lease land is not classified as 'private land') are also entitled to compensation for damage to any improvements on the lease lands caused by the activities.

15.4 The Tenements

- (a) We have not conducted an underlying tenure analysis of the Granted Tenements to determine who the underlying land owners for the purpose of the land access regime would be because such an analysis is outside the Scope of this report. Accordingly, we are unable to verify that the holders of the Granted Tenements have complied with the land access regime in all material respects.
- (b) The Applications are not yet granted and so the land access regime is not applicable to them at the date of this report. All future exploratory activity carried out on these tenements once granted will need to be in accordance with the regime described above.

Section 16 Environment

16.1 Environmental regimes

There are five main environmental regimes that must be complied with when exploring or developing any of the Tenements:

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- (a) State petroleum legislation;
- (b) Commonwealth legislation;
- State environmental legislation; (c)
- clearing permits; and (d)
- (e) water licences.

State petroleum legislation 16.2

- The PGER Act regulates onshore state petroleum tenements and tenement activities. (a) The Schedule regulates drilling, production and reporting requirements and the PGER(E)R regulates environmental requirements for petroleum activities approved under the PGER Act.
- The PGER(E)R came into effect in late August 2012, supported by the DMP (b) "Guidelines for the Preparation and Submission of an Environmental Plan". Any petroleum operator wanting to conduct a petroleum activity in Western Australia must prepare and implement an adequate environmental plan for the period of the activity in accordance with the PGER(E)R.
- The environmental plan must undergo a formal assessment and be accepted by DMP (c) before being implemented. The environmental plan approval and application process may be commenced prior to the grant of a petroleum tenement. While it is not necessary to have an approved environmental plan for a petroleum tenement to be granted, an environmental plan will need to be approved prior to any activities being conducted.

Commonwealth legislation

- The requirements of the PGER(E)R do not replace obligations under the EPBC Act. (a)
- (b) Under the EPBC Act, any petroleum activity that has, or will have, the potential to have a significant impact on a matter of NES must be referred to SEWPAC for assessment. This may not be required in many cases, as petroleum exploration activities generally will not have a 'significant effect' on the environment in order to qualify as a 'significant proposal' requiring referral.
- The recently introduced "water trigger" matter of NES under the EPBC Act requires government approval for an action involving coal seam gas development that will, has or is likely to have a significant impact on a water resource. Section 528 of the EPBC Act defines "coal seam gas development" to mean:
 - "any activity involving coal seam gas extraction that has, or is likely to have, a significant impact on water resources (including any impacts on associated salt production and/or salinity):
 - (a) in its own right; or
 - (b) when considered with other developments, whether past, present or reasonably foreseeable developments...
- (d) UIL's exploration of the Tenements will not trigger the recently introduced "water trigger" because such exploration activities are not activities involving the extraction of coal seam gas. Conversely, an overlapping or nearby proponent of a coal seam gas project may need to take into account UIL's 'developments' (its exploration on the Tenements) under limb 'b' of the above definition in respect of the "water trigger".

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16.4 State environmental legislation

- (a) Petroleum proposals that have potential to cause significant impact upon the environment must also be referred to the Environmental Protection Authority, pursuant to Part IV of the EP Act. It is possible for the Commonwealth and State environmental assessments to be conducted together. Generally petroleum exploration activities will not have a 'significant effect' on the environment in order to qualify as a 'significant proposal' requiring referral.
- (b) Under Part V of the EP Act a works approval and, in some circumstances, a licence is required for the construction and development of all prescribed premises. Most construction and development of onshore petroleum production facilities fall within "prescribed premises" as defined by the EP Regulations.

16.5 Clearing permits

- (a) Clearing of native vegetation in Western Australia is regulated under the EP Act and the Clearing Regulations.
- (b) Under s 51C of the EP Act, any clearing of native vegetation in Western Australia requires either a clearing permit, or a valid exemption under schedule 6 of the EP Act or r 5 of the Clearing Regulations.
- (c) Petroleum activities which are conducted under a statutory authority may be eligible for an exemption from the requirement for a clearing permit, provided all the specific requirements of the particular exemption are met.

16.6 Water Licences

- (a) Exploration for (and eventually production of) unconventional gas will require a reliable water supply. To secure such a supply a licence to construct a well and a licence to take water from a proclaimed area are likely to be required. Section 7(3) of the PGER Act provides that the taking or use of any water for the purposes of any operations carried out under the authority of a petroleum tenement is subject to the Rights in Water and Irrigation Act. Licences can be applied for from the Department of Water under the Rights in Water and Irrigation Act.
- (b) There is a limited licence exemption for dewatering from a water table aquifer under s 26C of the Rights in Water and Irrigation Act (in accordance with the Rights in Water and Irrigation Exemption (Section 26C) (Dewatering) Order 2010) but this will not apply for water demands exceeding 25,000 kilolitres or taken at a pump rate of more than 10 litres per second over a period of 30 days.
- (c) Where the water allocation is exhausted in the relevant area, alternative options for obtaining water will need to be considered such as entering into an arrangement to trade or lease a water entitlement with an existing licence holder in the same allocation area.

16.7 Granted Tenements

- (a) Environmental conditions have not been imposed on the Granted Tenements.
- (b) Although we have not been provided with any environmental plans for the Granted Tenements, the Petroleum Geothermal Register (as at 4 July 2014) records that plans have been submitted for EP447. The plan for EP447 has been approved as at 1 March 2013. Environmental plans have not yet been submitted for EP488 and EP489.

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- (c) None of the information that we reviewed indicate that any activities on the Granted Tenements have been referred for environmental assessment and approval to the Environmental Protection Authority. As mentioned in Section 16.4 of the report, petroleum exploration activities usually do not produce a significant impact requiring referral.
- We have no information or instructions that any environmental offences have been (d) committed on the Granted Tenements.

16.8 **Applications**

No environmental conditions are imposed on the Applications prior to grant and no environmental approvals are required at this stage. Consequently there are currently no issues of non-compliance with environmental requirements for the Applications.

Other environmental restrictions

- All of the Tenements overlap temporary reserves, conservation estates and/or biodiversity areas to varying degrees (see Schedule 3 for further details). These areas may be the subject of special requirements or conditions to regulate activities.
- In particular, conducting petroleum activities on reserves declared under the Land (b) Administration Act or any other law will require Ministerial consent (s 15A PGER Act). These reserves include conservation estates such as declared national parks and conservation parks. The Tenements which overlap with these reserves have an overlap of no more than 10%, except for EP489 which overlaps 17% with a national park and EPA99 which overlaps approximately 20% with national parks. These overlaps will need to be considered when developing work programs.

Section 17 Contaminated sites

Overview 17.1

- (a) Under the CS Act, known or suspected contamination must be reported to DER. Once a site is reported, the DER will classify the site. Where the site is classified as contaminated and requiring remediation the CS Act sets out a hierarchy of responsibility. The person who caused the contamination is generally responsible (s 25 CS Act), assuming they can be identified and located.
- (b) Where an occupier of a site has changed, or proposes to change, the use to which land that comprises all, or part, of the contaminated site is put, the occupier assumes liability for any remediation required to enable the new use (s 26 CS Act). This means that if the Tenements contain contaminated sites, and the exploration or production works will disturb those sites, the tenement holder will be responsible for remediation of that contamination.

17.2 Search results

- HopgoodGanim has conducted online searches on the publically available (a) Contaminated Sites Database maintained by DER. Our searches have not disclosed any registered contaminated sites within the Tenements; however, we note the public database is limited and non-conclusive.
- It should be noted that there are historical mine sites located on EP447 and EP488 (b) which present an increased risk that contamination may be present. To the extent that

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a change in tenement use exposes contamination which requires remediation, liability for remediation may lie with the tenement holder.

(c) Other than the historical mine sites, we have no information suggesting there may be contaminated sites within the area of the Tenements.

Section 18 Native title

18.1 Registered Native Title Claims and Determinations overlapping the Tenements

- (a) Three of the Tenements are subject to three native title determinations (EPA97, SPAA26 and SPAA40). The determinations overlap 70% or more of the area of the relevant Tenements.
- (b) Five registered native title claims and one native title claim, that was not accepted for registration, overlap the remaining Tenements, as detailed in Schedule 4.
- (c) Registered native title claimants and native title holders are entitled to certain rights under the NT Act future act provisions.

18.2 Future Act Provisions

(a) Overview

A future act is an act that may affect native title rights (e.g. the grant or renewal of a petroleum tenement) carried out after 23 December 1996. The act must comply with certain requirements to be considered valid under the NT Act, such requirements usually involve one or more of the following future act processes: the expedited procedure, the RTN or an ILUA.

(b) Expedited Procedure

- (1) The expedited procedure is a simplified process for the carrying out of a future act that is unlikely to adversely affect native title rights. The grant of a tenement can occur under the expedited procedure if:
 - (A) the grant will not interfere directly with the carrying on of the community or social activities of the persons who are the holders of native title in relation to the land;
 - (B) the grant is not likely to interfere with areas or sites of particular significance, in accordance with their traditions, to the persons who are holders of native title in relation to the land; and
 - (C) the grant is not likely to involve major disturbance to any land or waters concerned or create rights whose exercise is likely to involve major disturbance to any land.
- (2) If the State considers the above criteria are satisfied, it commences the expedited procedure by giving notice of the proposed grant of the tenement in accordance with the NT Act. Persons have until 3 months after the notification date to take steps to become a registered native title claimant or native title holder in relation to the land to be subject to the tenement. If there is no objection lodged by a registered native title claimant or a native title holder within 4 months of the notification date, the State may grant the tenement.

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- (3)If one or more registered native title claimants or native title holders object within that 4 month notice period, the NNTT must determine whether the grant is an act attracting the expedited procedure (called an inquiry). If the NNTT determines that the expedited procedure applies, the State may grant the tenement. Otherwise, other future act provisions (e.g. the RTN or ILUA) must be followed before the tenement can be granted.
- The State has indicated that the expedited procedure should apply to the grant (4)of most of the Applications (sections 29 and 32 NT Act). However, the majority of the Applications have or will become subject to the RTN process due to objections from registered native title parties. Further details on the Applications and the status of the RTN negotiations is set out in the table at Section 18.4.

(c) RTN

- (1) The RTN involves a formal negotiation between the State, the applicant for the tenement and any registered native title claimants and holders of native title rights. The aim is to agree the terms on which the tenement can be granted. The outcome of the RTN process is known as a s 31 agreement which is an agreement between the parties to the doing of the future act. An ancillary agreement may also be made between the parties (to which the State is not a party) which may deal with any compensation that the parties agree to pay to the registered native title claimants and holders of native title. The parties may also agree on conditions that will apply to activities carried out on the tenement (e.g. in relation to heritage surveys).
- (2)If agreement is not reached to enable a tenement to be granted, the matter may be referred to arbitration before the NNTT, which has six months to decide whether a tenement can be granted and if so, on what conditions. The NNTT usually requires the parties to have had at least six months of negotiations before it will accept a referral for arbitration. This is the fallback position if agreement cannot be reached between the proponent and the native title party.

(d) **ILUA**

An ILUA is a contractual arrangement governed by the NT Act. Under the NT Act, an ILUA must be negotiated with all registered native title claimants for a relevant area. Once an ILUA is agreed and registered, it binds the whole native title claimant group and all holders of native title in the area (including future claimants), even though they may not be parties to it.

18.3 Validity of the Granted Tenements under the NT Act

- EP447 was granted after 23 December 1996 and needs to be granted in accordance with the future act provisions under the NT Act to be granted validly. We have been provided with a copy of a Heritage Protection Agreement between Kimberley Oil NL, the Yued People and South West Aboriginal Land and Sea Council dated 8 September 2005 (the Yued Agreement). The Yued Agreement relates to exploration permit EPA 3/04-5. Our searches show that the application became the granted petroleum exploration permit EP447 which is currently held by GCC and UIL. Clause 2.1 of the Yued Agreement provides the Yued People's consent to the grant of EP447 and acknowledges that the Yued People will execute a s 31 agreement. We have not reviewed a copy of the s 31 agreement; however assuming it was entered into EP447 will have been validly granted in accordance with the future act provisions.
- (b) Any tenement renewals will also need to comply with the future act provisions in order to be valid under the NT Act. S 26D of the NT Act provides that the RTN procedures

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do not apply to the renewal of the tenement where the RTN procedure has already been complied with, providing that the renewal does not extend the area or increase the term or create new rights going beyond the conditions of the original grant of the tenement. Accordingly, the recent renewal of EP447 will be valid under s 26D of the NT Act.

18.4 Applications

- (a) It is common for companies to enter into heritage agreements to address native title party concerns in return for the party's agreement to the grant of a tenement (either as a pre-emptive step to the future act process or during the future act RTN or ILUA processes).
- (b) As at 3 July 2014, we understand the status of UIL's negotiations with native title parties who have interests registered over the Tenements to be as follows:

Group	Tenements	Status
Yued People WAD6192/1998	EP447	Yued Agreement provides for the grant of the tenement (see Section 18.3(a))
		See comments below at Section 19.4 regarding the Yued Agreement and cultural heritage.
	EP 488 and 489	Heritage Protection Agreement for EPA61, 62 and 63 between the Yued People, South West Aboriginal Land and Sea Council and UIL, fully executed by UIL and dated 27 August 2013. This Agreement applies to the granted exploration permits EP488 and EP489 (as the current form of applications EPA61 and EPA63).
		A State Deed has been executed, by all parties, to acknowledge that native title interests have been addressed.
		Note: The Noongar claim overlapping this area (see Schedule 4 for further details) is unregistered. Only claims registered under the NTA can avail themselves of the procedural rights under the NTA (such as the RTN).
		We understand from UIL's dealings with the NNTT that the Noongar claim is an amalgamation of a number of claims in the South West area; however, the amalgamation took place on the understanding that pre-existing groups would continue to deal with heritage matters in their respective areas.
Widi Mob WAD6193/1998	EPA82	Right to negotiate process is progressing with a draft agreement in circulation.
	EPA98 FPA99	UIL advised of preferred applicant status on 10 October 2013.
	2. 7.00	The parties have agreed to use the final agreement for EPA 82 as the template agreement for EPA 98 and EPA 99.
Amangu People WAD6002/2004	EPA82	Right to negotiate process is making good progress. A draft agreement is in circulation and the parties are hopeful of reaching a successful outcome.

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	EPA98 EPA99	UIL advised of preferred applicant status on 10 October 2013.
		The parties have agreed to use the final agreement for EPA 82 as the template agreement for EPA 98 and EPA 99.
Ngurrara (Area	SPAA26	Objection to grant was withdrawn on 22 August 2013.
A) WAD6077/1998		Petroleum Access and Heritage Agreement 2013 for the grant of SPA26 fully executed and dated 15 August 2013 between KRED Enterprises Pty Ltd for and on behalf of the Yanunijarra Native Title Holders and the Yanunijarra Aboriginal Corporation and UIL.
Nyangumarta	SPAA40	Objection to grant was withdrawn on 21 May 2013.
People (Part A) WAD6281/1998, WAD234/2007		Letter Agreement (LOA) fully executed and dated 11 June 2013 between the Nyangumarta People and UIL.
		LOA subsequently varied – dated 24 October 2013 and fully executed by both parties.
	EPA97	UIL advised of preferred applicant status on 10 October 2013.
		The right to negotiate process is progressing with a draft agreement in circulation.
Kulyakartu (WAD293/2005)	EPA97	UIL advised of preferred applicant status on 10 October 2013.
		The right to negotiate process will commence in July 2014.
Martu and	SPAA40	Objection to grant was withdrawn on 28 June 2013.
Ngurrara WAD6110/1998		Petroleum Access and Heritage Agreement for the grant of SPA40, fully executed and dated 25 June 2013 between Western Desert Lands Aboriginal Corporation (Jamukurnu-Yapalikunu) RNTBC (on behalf of the Martu) and UIL.

(c) We have reviewed the other executed agreements mentioned in the table above and confirm that the terms and conditions are not unusual or unreasonably onerous in the context of the West Australian market.

Section 19 Aboriginal cultural heritage

Overview 19.1

- (a) UIL must ensure that it does not breach the Commonwealth and State legislation relating to Aboriginal heritage while undertaking exploration and development of the Tenements.
- (b) To ensure that it does not contravene such legislation, we understand that UIL (in accordance with industry practice and Aboriginal expectations) will conduct heritage surveys to identify and agree arrangements for any Aboriginal sites or objects within the area of the Tenements. The heritage surveys will usually be in accordance with

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heritage agreements negotiated with the relevant native title party (see the table above for more information). Any interference with such sites or objects must be in strict conformity with the provisions of any such agreements and the relevant legislation.

19.2 Commonwealth legislation

- (a) Under the Commonwealth Heritage Act, the Minister for Indigenous Affairs may make interim or permanent declarations of preservation in relation to significant Aboriginal areas or objects, which have the potential to halt exploration activities.
- (b) Compensation is payable by the Minister to a person who is, or is likely to be, affected by a permanent declaration of preservation. It is an offence to contravene a declaration made under the Commonwealth Heritage Act.
- (c) We have reviewed these declarations of preservation and are not aware of any that overlap the Tenements.

19.3 Western Australian legislation

- (a) Tenements are granted subject to a condition requiring observance of the Heritage Act.
- (b) The Heritage Act makes it an offence to alter or damage sacred ritual or ceremonial Aboriginal sites and areas of significance to Aboriginal persons (whether or not they are recorded on the Aboriginal Heritage Register or otherwise known to the Register of Aboriginal Sites, DAA or the Aboriginal Cultural Material Committee).
- (c) The Minister's consent is required where any use of land is likely to result in the excavation, alteration or damage to an Aboriginal site or any objects on or under that site.
- (d) The State Government is currently seeking comments on a draft Aboriginal Heritage Amendment Bill 2014 which, if passed into legislation, will introduce measures to streamline and update the Aboriginal heritage processes.
- (e) The Aboriginal Heritage Register does not currently record any aboriginal sites within the Tenements, however this does not mean that such sites are not present. The Department of Aboriginal Affairs has recently reviewed the Aboriginal Heritage Register and removed any entries where there is not enough information to qualify the entry as a site or an area of significance. UIL will have to be conscious that other unregistered sites may exist when developing the Tenements.

19.4 EP447 Yued Agreement

- (a) We have been provided with a copy of a Heritage Protection Agreement between Kimberley Oil NL, the Yued People and South West Aboriginal Land and Sea Council dated 8 September 2005 (the Yued Agreement). The Yued Agreement contains provisions for the protection of Aboriginal heritage and the carrying out of heritage clearance surveys.
- (b) Clause 12 of the Yued Agreement allows Kimberley Oil NL to sell, assign or dispose of all or part of its interests, rights and obligations under the Yued Agreement or of the tenement. This right is subject to the purchaser or assignee entering into a deed of covenant with the Yued People and South West Aboriginal Land and Sea Council whereby the new party agrees to assume the grantee party obligations under the Yued Agreement to the extent of the interest acquired.

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(c) We have not been provided with any such deed of covenant between Kimberley Oil NL and GCC (as the current registered holder of EP447) and GCC and UIL. Accordingly, UIL cannot rely on the Yued Agreement in respect of carrying out exploration activities and complying with the provisions of the Heritage Act until such a deed of covenant is executed by the parties.

Section 20 Agreements relating to the Granted Tenements

20.1 EP447

- (a) We have been provided with a copy of a farm in agreement dated 1 September 2011 (EP447 Farm In Agreement) which was subsequently assigned to UIL pursuant to which UIL has conducted exploration work to earn a 50% interest in EP447.³
- (b) Pursuant to a letter agreement dated 25 June 2014 UIL acknowledged to GCC that it did not intend to elect to undertake work towards earning any further interest in EP 447 under the EP447 Farm-in Agreement. The parties also agreed to enter into a joint operating agreement (JOA) on the usual terms and conditions in relation to their ownership of EP 447 and upon the JOA being executed, the EP447 Farm-in Agreement will be terminated and will be no longer applicable to their relationship. As at the date of this Tenement Report we have been advised that the parties have not entered into the JOA and the EP447 Farm-In Agreement continues to govern the relationship and obligations of the parties.
- (c) The EP447 Farm in Agreement is discussed further at section 11.1 of the Prospectus.

20.2 FIRB approval

- (a) The Foreign Acquisition and Takeovers Act 1975 (Cth) (FATA) requires prior Foreign Investment Review Board (FIRB) notification when a foreign person proposes to acquire an 'interest in Australian urban land'. Land which is subject of a petroleum tenement will generally be considered to be Australian urban land.
- (b) The current FIRB Policy which (arguably) requires notification of the proposed acquisition of an interest in a petroleum exploration tenement⁴ was introduced in January to February 2012. FIRB's previous policy focused on mining and production tenements which generally provide the permit holder with greater rights to occupy land and as a result, foreign persons have traditionally not sought prior FIRB approval when investing at an exploratory stage in mineral or oil and gas assets.
- (c) FIRB's new policy was not in force when the farm in agreement was signed in 2011. We have not considered FIRB further in our due diligence investigations for this report.

20.3 Warranties in agreement

(a) The holder of EP447 warranted in the farm in agreement, amongst other things, that it:

³ The farm in agreement dated 1 September 2011 is between UIL L.L.C and GCC. By deed dated 5 October 2011 between UIL L.L.C., GCC and Jaldale Pty Ltd ACN 010 295 306 (Jaldale), UIL L.L.C assigned its right, title and interest in the EP447 Farm In Agreement to Jaldale. By deed dated 7 October 2011 between Jaldale, UIL and GCC, Jaldale assigned its right, title and interest in the EP447 Farm In Agreement to UIL.
⁴ Foreign persons need to notify of the acquisition of "prospecting, exploration, mining or production tenements" where they

Foreign persons need to notify of the acquisition of "prospecting, exploration, mining or production tenements" where they provide a "right to occupy" urban land for more than 5 years. The Policy refers to a "right to occupy" which FIRB appears to interpret to mean a right of entry. The reference to "tenements" includes petroleum titles, and as most petroleum titles will have a term that is likely to exceed 5 years and give the holder a right of entry onto the land, they will likely be characterised as interests in Australian urban land requiring notification.



- (1) was or was entitled to be the registered holder and beneficial owner of the tenement;
- had full right, title and authority to transfer to UIL the interests that UIL may acquire under the farm in agreement;
- had complied with all relevant laws and requirements in relation to the tenement; and
- (4) the tenement was not subject to any encumbrance (except native title (if any)).

Section 21 Conclusion and opinion

Our conclusion and opinion is set out in the Executive Summary at Section 3.

Yours faithfully

HopgoodGanim

Contact: Jonathan Fulcher

Partner

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Glossary

Term	Meaning
ASX	Australian Stock Exchange
Clearing Regulations	Environmental Protection (Clearing of Native Vegetation) Regulations 2004 (WA)
Commonwealth Heritage Act	Aboriginal and Torres Strait Islander Heritage Protection Act 1984 (Cth)
CS Act	Contaminated Sites Act 2003 (WA)
DAA	Department of Aboriginal Affairs
DER	Department of Environmental Regulation
DMP	Department of Mines and Petroleum
EP	Exploration permit granted under the PGER Act
EPA	Application for EP
EP Act	Environmental Protection Act 1986 (WA)
EP Regulations	Environmental Protection Regulations 1987 (WA)
EPBC Act	Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (Cth)
Heritage Act	Aboriginal Heritage Act 1972 (WA)
ILUA	Indigenous land use agreement
IPO	Initial public offering
Land Administration Act	Land Administration Act 1997 (WA)
Mining Act	Mining Act 1978 (WA)
Minister	the Minister responsible for the relevant Act
NES	A matter of national environmental significance under the EBPC Act
NNTT	National Native Title Tribunal
NT Act	Native Title Act 1993 (Cth)
PGER Act	Petroleum and Geothermal Energy Resources Act 1967 (WA)
PGER(E)R	Petroleum and Geothermal Energy Resources (Environment) Regulations 2012 (WA)
PL	Production licence granted under the PGER Act
PP Act	Petroleum Pipelines Act 1969 (WA)
Prospectus	The prospectus to be dated on or about19 August 2014 for the initial public offer of shares in UIL to which this report is annexed
Regulations	Petroleum and Geothermal Energy Resources Regulations 1987 (WA)
Rights in Water and Irrigation Act	Rights in Water and Irrigation Act 1914 (WA)
RL	Retention lease granted under the PGER Act
RTN	Right to negotiate under the NT Act
SEWPAC	Commonwealth Department of Sustainability, Environment, Water, Populations and Communities
Schedule	Schedule of Onshore Exploration and Production Requirements 1991 (WA)
SPA	Special prospecting authority granted under the PGER Act
SPAA	Application for SPA
State	The State of Western Australia
UIL L.L.C	Formerly the ultimate holding company of UIL

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Schedule 1 - Granted Tenements

Item		Т	enement
	EP44	7	
Registered	GCC	Methane Pty Ltd 50%	
Holder(s)	UIL E	nergy Ltd 50% ⁵	
UIL's earn in	Farm	in dated 01.09.2011	
interest (%) ⁶	First 6	earn in interest: 50%	
	Seco	nd earn in interest: 75%	
Basin	Perth		
Term, Issued	1	12.04.2006	11.04.2013
and Expiry Date	2	23.08.2013	23.08.2018
Status	Grant	ed	
Blocks	15		
Relinqishment	None		
		wed on 23.08.2013 with 15 blocks enewal)	. Partial relinquishment may be required upon
Registered	Farmi	n dealing dated 01.09.2011 lodge	d 21.12.2011, approved 11.05.2012
dealings ⁷	2 Far	min dealings dated 05.10.2011, lo	dged 12.03.2013, approved 20.05.2014.
	Deed	of assumption dealing lodged 22.	07.2013, approved 20.05.2014.
	Trans	fer dealing lodged 01.08.2013, ap	proved 20.05.2014.
Last Annual Payment	\$1,96	6.00 payable on 23.09.2013 and p	processed 14.12.2013
Work Plan ⁸	Yr 1	Geotechnical Studies	\$250,000
(Year/			
minimum work	Yr 2	1 Exploration Well	\$5,000,000
requirements/ estimated	Yr 3	30km² New 3D Seismic Survey	\$1,000,000
expenditure)	Yr 4	Geotechnical Studies	\$250,000
	Yr 5	1 Exploration Well	\$5,000,000

Item	Tenement
------	----------

UIL's 50% legal interest was registered on the physical Petroleum and Geothermal Register by DMP on 18 July 2014. The interest has not yet been recorded on the electronic register.
 For further information in respect of the farm in agreements, see Section 20.
 Note: the Petroleum and Geothermal Register lists other dealings not listed in this table prior to UIL earning its interest under the relevant farm in agreement, see in particular, paragraph Section 8 above.
 This information is taken from documents provided by UIL and relates to the most recent term of the tenement (that is the work plan for the reported term in 12.2 August 2018 for ED447).

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plan for the renewed term up to 23 August 2018 for EP447).



Item			Т	eneme	ent	
	EP48	8		EP48	39	
Registered Holder(s)	UIL E	nergy Ltd		UIL E	Energy Ltd	
Basin	Perth			Carn	arvon	
Term, Issued and Expiry Date	1	28.05.2014	27.05.2020	1	28.05.2014	27.05.2020
Status	Grant	ted		Gran	ted	
Blocks	4			2		
Relinqishment	None			None)	
Registered dealings	None			None	9	
Last Annual Payment		6.00 payable on 28 ssed 25.06.2014	3.06.2014 and		66.00 payable on 28.0 essed 25.06.2014	6.2014 and
Work Plan (Year/ minimum	Yr 1	New 2D Seismic Survey	\$600,000	Yr 1	New 2D Seismic Survey	\$350,000
work requirements/ estimated	Yr 2	New 2D Seismic Survey	\$1,000,000	Yr 2	New 2D Seismic Survey	\$400,000
expenditure)	Yr 3	1 Exploration Well	\$5,000,000	Yr 3	Geotechnical Studies	\$150,000
	Yr 4	New 3D Seismic Survey	\$1,000,000	Yr 4	1 Exploration Well	\$5,000,000
	Yr 5	1 Exploration Well	\$5,000,000	Yr 5	New 2D Seismic Survey	\$400,000
	Yr 6	Geotechnical Studies	\$500,000	Yr 6	Geotechnical Studies	\$150,000



Schedule 2 - Applications

Tenement	Basin	Lodged by	Date lodged	Stage	Status
EPAs					
EPA82	Perth Basin	ŪIL	02.11.2012	Assessment	Pending other statutory approval
		Energy Ltd			Referred to Native Title Procedures 15.04.2013
EPA97	Canning	ÜIL	19.04.2013	Assessment	Pending other statutory approval
	Basin	Energy Ltd			Referred to Native Title Procedures 23.04.2013
EPA98	Perth Basin	ŪIL	19.04.2013	Assessment	Pending other statutory approval
		Energy Ltd			Referred to Native Title Procedures 16.11.2013
EPA99	Perth Basin	ŪIL	19.04.2013	Assessment	Pending other statutory approval
		Energy Ltd			Referred to Native Title Procedures 16.11.2013
SPAAs					
SPAA26	Canning Basin	UIL Energy Ltd	26.10.2011	Assessment	The title application has been received by the Department and is progressing through the stages of the approvals process.
SPAA40	Canning Basin	UIL Energy Ltd	02.05.2012	Assessment	The title application has been received by the Department and is progressing through the stages of the approvals process.



Schedule 3 - Overlaps⁹

Tenement	Overlapping Tenure/ Restricted Area	Details	Approximate Overlap (%)
Granted Te	nements		
EP447		1 Mining Lease SA	3.8%
		13 Exploration Licences	Total = 28.4%
		2 Exploration Licences pending	Total = 3.2%
	Mineral Tenements	1 General Purpose Lease	0.5%
		13 Mining Leases	Total = > 5%
		1 Retention Licence	0.1%
	Pipelines	3 Pipeline Licences	Total = > 0.5%
	Biodiversity Areas	Geraldton Sandplains Swan Coastal Plain	Total =100%
	Conservation Estates ¹⁰	7 sites – Conservation of Flora and Fauna 1 site – Conservation Park 1 site – National Park 1 site – Recreation Camping & Conservation of Flora	Total = 1.8% 1.4% 9.6% 1.5%
	Abandoned Mine Sites	4 identified sites – Mine, Openpit (Shut): - Mullering Farm – 27000 North - Cooljarloo 27000 South - Cooljarloo 27200 South - Cooljarloo 12000	N/A
EP488	Mineral Tenements	1 Exploration Licences	Total = 7.1%
	Milleral Terlements	2 Mining Leases	Total = > 1%
	Pipelines	3 Pipeline Licences	Total = > 1%
	Biodiversity Areas	Geraldton Sandplains	100%
		2 sites - Conservation of Flora and Fauna	Total = 19%
	Conservation Estates	1 site – National Park and Water	2.1%
		1 site – Conservation Park	<0.1%
	Abandoned Mine Sites	1 identified site – Mine, Openpit (Shut) Badgingarra Diatomite	N/A
EP489		1 Mining Lease SA	5.5%
	Mineral Tenements	7 Exploration Licences	Total = 54.3%
		1 Prospecting Licence pending	N/A
	Pipelines	1 Pipeline Licence	0.3%

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⁹ The overlapping tenure and restricted areas set out in this Schedule 3 are commonly managed in WA and do not present an

insurmountable obstacle to exploration.

To Conservation estates identified are: Conservation of Flora and Fauna, Conservation of Flora, National Parks, Conservation Parks and Marine Parks. These sites only were identified as they may be relevant for environmental purposes. DMP's Tenegraph database lists other conservation estates that overlap the tenements.



Tenement	Overlapping Tenure/ Restricted Area	Details	Approximate Overlap (%)
	Biodiversity Areas	Geraldton Sandplains	Total = 100%
	Blodiversity / weds	Swan Coastal Plan	10141 = 10076
		1 site – National Park	17.0%
	Conservation Estates	1 site - Conservation of Flora	3.0%
		1 site – Conservation Park	5.2%
Application	s		
EPA82		1 Exploration Licence	1.2%
	Mineral Tenements	1 Exploration Licence pending	N/A
		1 Miscellaneous Licence	1.7%
	Geothermal Tenements	1 Geothermal Exploration Permit	6.7%
	Biodiversity Areas	Avon Wheatbelt Geraldton Sandplains	Total = 100%
		4 sites – Conservation of Flora and Fauna	2.9%
	Conservation Estates	NOTE: 39 Threatened Ecological Community Buffer Zone sites	
EPA97	No overlapping tenements		
	Biodiversity Areas	Great Sandy Desert	100%
	Conservation Estates	N/A	1
EPA98	No overlapping tenements		
	Pipelines	1 Pipeline Licence	1%
	Biodiversity Areas	Geraldton Sandplains	100%
	,	1 site - Conservation of Flora and Fauna	
	Conservation Estates	NOTE: 26 Threatened Ecological Community Buffer Zone sites	> 5%
EPA99	N. 1. T	1 Exploration Licence	1.8%
	Mineral Tenements	1 Miscellaneous Licence	6.2%
	B	Avon Wheatbelt	T
	Biodiversity Areas	Geraldton Sandplains	Total = 100%
		2 sites – National Park	
	Conservation Estates	NOTE: 17 Threatened Ecological Community Buffer Zone sites	8.9%
SPAA26	No overlapping tenements		
	Biodiversity Areas	Great Sandy Desert	100%
	Conservation Estates	N/A	
SPAA40		1 Mining Lease SA	< 0.1%
	Minaral Tans	9 Exploration Licences	Total = 25.5%
	Mineral Tenements	17 Exploration Licences pending	N/A
		5 Miscellaneous Licences	Total = > 0.2%
	Pipelines	2 Pipeline Licences	Total = > 0.2%
	Biodiversity Areas	Great Sandy Desert	100%
	Conservation Estates	N/A	1

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Tenement Report

Schedule 4 - Native title and cultural heritage

Tenement	Native Title claim or determination	Description	% overlap	Future Act Notifications	Aboriginal Trust Land	Aboriginal Heritage Sites ¹¹
Granted Tenements	ements					
EP447	Claim (registered)	Yued (WAD6192/1998)	Both claims	N/A	9	
	Claim (not registered)	Single Noongar Claim (Area 1) (WAD6006/2003)	overlap 100%			No identified sites
EP488	Claim (registered)	Yued (WAD6192/1998)	Both claims overlap 100%	Notification Date: 22.08.2012	No	No identified sites
	Claim (not registered)	Single Noongar Claim (Area 1) (WAD6006/2003)	-	NO ODJECTIONS		
EP489	Claim (registered)	Yued (WAD6192/1998)	Both claims	Notification Date: 22.08.2012	No	No identified sites
	Claim (not registered)	Single Noongar Claim (Area 1) (WAD6006/2003)		No objections		
Applications						
EPA82	Claim (registered)	Widi Mob (WAD6193/1998)	Both claims overlap 100%	Notification Date: 24.04.2013 No objections	N _O	No identified sites
	Claim (registered)	Amangu People (WAD6002/2004)				
EPA97	Determination	Nyangumarta People (Part A) (WAD6281/1998; WAD234/2007)	79.3%	Notification Date: 06.11.2013 and 07.05.2013	9	No identified sites
	Claim (registered)	Kulyakartu (WAD293/2005)	14.8%	No objections		
EPA98	Claim (registered)	Widi Mob (WAD6193/1998)	ou) %86	Notification Date:	9	No identified sites
			overlap in south-western	06.11.2013		

11 For special prospecting authority applications and petroleum release areas, searches for Aboriginal Heritage Sites are limited to DMP's Geoview database. We have been unable to verify this information from the Department of Aboriginal Affair's Aboriginal Heritage Inquiry System.

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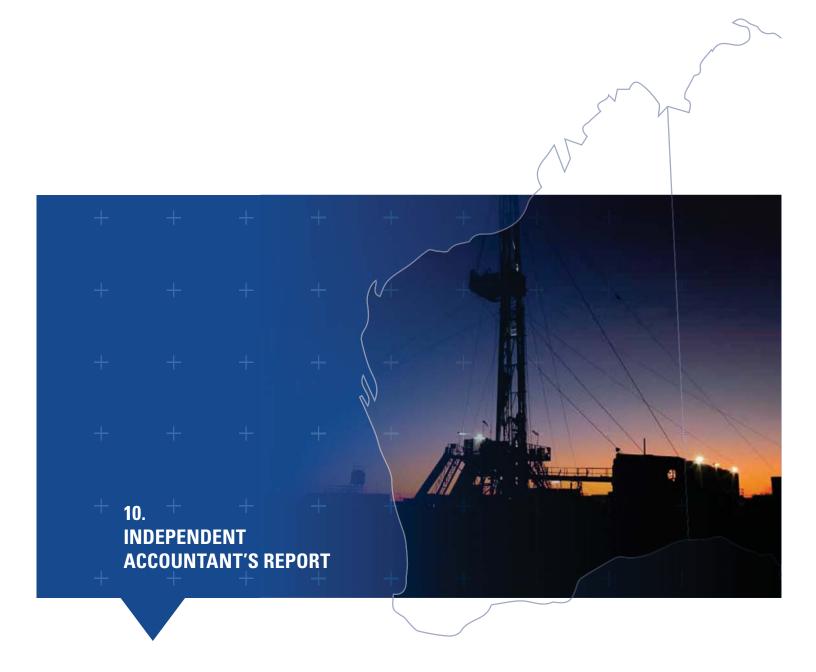
Tenement Report

Tenement	Native Title claim or determination	Description	% overlap	Future Act Notifications	Aboriginal Trust Land	Aboriginal Heritage Sites ¹¹
			comer)	No objections		
	Claim (registered)	Amangu People (WAD6002/2004)	100%			
EPA99	Claim (registered)	Widi Mob (WAD6193/1998)	53.32% (northern half)	Notification Date: 06.11.2013	R 28608 R 28609	No identified sites
	Claim (registered)	Amangu People (WAD6002/2004)	100%	No objections	(total overlap > 15%)	
SPAA26	Determination	Ngurrara (Area A) (WAD6077/1998)	100%	Notification Date: 30.05.2012	N _o	No identified sites
				Objection lodged WO2012/0991		
				Objection withdrawn 22.08.2013		
SPAA40	Determination	Nyangumarta People (Part A) (WAD6281/1998; WAD234/2007) ¹²	74.57% (northern half)	Notification Date: 22.08.2012 Objection lodged	o _N	No identified sites
	Determination	Martu and Ngurrara (WAD6110/1998)	25.5% (southern half)	WÓ2012/1277 Objection withdrawn 28.06.2013		
				Objection lodged WO2012/1325		
				Objection withdrawn 21.05.2013		

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12 The Martu (Part B) Karnapyrri and Martu #2 determination also overlaps SPA40 – the overlap is less than 0.003% (calculated overlap is 0.3289 sq km, area of SPA40 is 12508.0726 sq km).

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10. INDEPENDENT ACCOUNTANT'S REPORT



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The Directors UIL Energy GPO Box 3284 Brisbane QLD 4001

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON UIL ENERGY LIMITED HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Introduction

We have been engaged by UIL Energy Limited ("UIL") to report on the historical financial information and pro forma historical financial information of UIL as at 30 April 2014 for inclusion in the public document dated on or about 19 August 2014 and relating to the issue of between 21,000,000 and 30,000,000 shares in UIL ("the document").

Expressions and terms defined in the document have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian Financial Services License ("AFSL") under the *Corporations Act 2001*.

Scope

Historical financial information

You have requested BDO Audit Pty Ltd to review the following historical financial information of UIL (the responsible party) included in the public document:

• The consolidated statement of financial position as at 30 April 2014.

Hereafter referred to as "the historical financial information".

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company's adopted accounting policies.

The historical financial information has been extracted from the consolidated financial report of UIL for the period ended 30 April 2014, which was reviewed by BDO Audit Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit Pty Ltd issued an unmodified audit opinion on the consolidated financial report.

The historical financial information is presented in the public document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services (icensees) in each State or Territory other than Tostmania.



Pro forma historical financial information

You have requested BDO Audit Pty Ltd to review the following pro forma historical financial information of UIL (the responsible party) included in the public document:

The proforma consolidated statement of financial position as at 30 April 2014 Hereafter referred to as "the pro forma historical financial information".

The pro forma historical financial information has been derived from the historical financial information of UIL, after adjusting for the effects of pro forma adjustments described in section 7.3 of the public document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7.3 of the public document, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

Directors' responsibility

The directors of UIL are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review 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 reasonable 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.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

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Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in sections 7.2 and 7.4 of the public document, and comprising the consolidated statement of financial position as at 30 April 2014, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.5 of the document.

Pro forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in sections 7.3 and 7.4 of the public document, and comprising the proforma consolidated statement of financial position as at 30 April 2014, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 7.5 of the public document.

Restriction on use

Without modifying our conclusions, we draw attention to section 7.1 of the public document, which describes the purpose of the financial information, being for inclusion in the public document. As a result, the financial information may not be suitable for use for another purpose.

Consent

BDO Audit Pty Ltd has consented to the inclusion of this independent limited assurance report in the public document in the form and context in which it is included.

Liability

The liability of BDO Audit Pty Ltd is limited to the inclusion of this report in the public document. BDO Audit Pty Ltd makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the public document.

General advice warning

The report has been prepared, and included the document to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

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Independence or Disclosure of Interest

BDO Audit Pty Ltd does not have any interest in the outcome of proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit Pty Ltd will receive normal professional fees for the preparation of this report.

BDO Audit Pty Ltd are auditors of UIL and from time to time BDO member firm also provides UIL with certain other professional services for which normal professional fees are received.

Yours faithfully

BDO

BDO Audit Pty Ltd

Damian Wright

Director

Brisbane, 19 August 2014



11. SUMMARY OF MATERIAL CONTRACTS

A summary of the material agreements to which the Company is a party is set out below:

11.1 EP 447 FARM-IN AGREEMENT

On 1 September 2011, UIL L.L.C entered into a Farm-In Agreement with GCC Methane Pty Ltd (GCC) (EP 447 Farm-in Agreement). UIL L.L.C's interest in the Farm-in Agreement was subsequently assigned to the Company on 7 October 2011.

In accordance with the EP 447 Farm-in Agreement, UIL Energy was required to fulfil a number of obligations in order to earn an interest in EP 447. On or about 18 July 2013, UIL Energy satisfied its obligations under the Farm-in Agreement entitling it to earn a 50% interest in EP 447, and UIL Energy is currently the registered holder of 50% of EP 447.

In accordance with the EP 447 Farm-in Agreement, the parties:

- + have agreed to carry out exploration upon EP 447 and if warranted exploit the permit and carry out drilling operations for the purpose of deriving production of petroleum;
- + have agreed to fund the joint venture costs in proportion to their respective interests in EP 447, namely 50% each. UIL Energy, as manager of the joint venture, is responsible for the conduct of all joint venture activities, and is authorised to:
 - (a) manage and supervise the construction, development, maintenance and operation of all joint venture facilities; and
 - (b) have exclusive control of joint venture property.

Pursuant to a letter agreement dated 25 June 2014 UIL Energy acknowledged to GCC that it did not intend to elect to undertake work towards earning any further interest in EP 447 under the EP 447 Farm-in Agreement. The parties also agreed to enter into a joint operating agreement (JOA) on the usual terms and conditions in relation to their ownership of EP 447 and upon the JOA being executed, the Farm-in Agreement will be terminated and will be no longer applicable to their relationship. As at the date of this Prospectus the parties have not entered into the JOA and the Farm-In Agreement continues to govern the relationship and obligations of the parties.

11.2 LEAD MANAGER AGREEMENT

Under a mandate letter dated 1 August 2014 between the Company and Bell Potter Securities Limited (Lead Manager Agreement), Bell Potter Securities Limited agreed to act as the Lead Manager to the Offer and to arrange and manage the Offer.

Fees and Expenses

On settlement of the Offer, the Company must pay to the Lead Manager:

- (a) an offer management fee equal to 2.0% of the total amount raised under the Offer;
- (b) a selling fee equivalent to 4.0% of the total amount raised under the Offer less any amount raised from certain Applicants approved by the Lead Manager; and
- (c) an option fee of one (1) Option issued for every dollar of the total amount raised under the Offer. The Options will have an exercise price of 20% above the Offer price and an expiry date of 31 December 2018.

The Company must also reimburse the Lead Manager for certain agreed costs and expenses incurred by the Lead Manager in connection with its engagement under the Lead Manager Agreement.

Termination Rights

The Lead Manager Agreement includes extensive but commercially standard prescribed circumstances in which either the Lead Manager or the Company will have the right to terminate the agreement.

Other provisions

The Lead Manager Agreement also includes standard terms regarding indemnities, representations and warranties and a first right of refusal for the Lead Manager in relation to subsequent capital raisings.

11.3 CORPORATE ADVISORY SERVICES **AGREEMENT**

The Company has entered into a corporate advisory services agreement dated 30 July 2014 (Corporate Advisory Services Agreement) with Bizzell Capital Partners Pty Ltd (the Corporate Advisor) for the purposes of appointing BCP as corporate advisor to the Offer (Corporate Advisory Services). Bizzell Capital Partners Pty Ltd is an entity related to Stephen Bizzell, a Director of UIL Energy.

Fees and Expenses

In consideration for the provision of the Corporate Advisory Services, the Company has agreed to pay the Corporate Advisor:

a success fee upon completion of the Offer, being a cash fee of 1.0% of the total amount raised under the Offer and the issue of 1,000,000 Options to the Corporate Advisor or its nominee with an exercise price of 20% above the Offer price and an expiry date of 31 December 2018; and

+ a selling fee, being a cash fee of 4.0% of the total amount raised from clients of the Corporate Advisor and parties introduced by the Corporate Advisor under the Offer. Any overlap of clients between the Corporate Advisor and the Lead Manager is to be agreed between the parties and will not incur additional fees to be paid by the Company.

The Company must also reimburse the Corporate Advisor for certain agreed costs and expenses incurred by the Corporate Advisor in connection with its engagement under the Corporate Advisory Services Agreement.

Termination

The engagement under the Corporate Advisory Services Agreement will terminate on the earlier of:

- (a) completion of the Offer; or
- (b) either the Company or the Corporate Advisor giving seven days prior written notice of termination to the other party.

11.4 MITA CONSULTING LLC CONSULTANCY AGREEMENT

The Company has entered into a consultancy agreement with MITA Consulting LLC, a related entity of Simon Hickey. Pursuant to the consultancy agreement Mr Hickey will provide services involving business development, strategy, acquisitions and divestiture opportunities and their implementation, capital raising, stakeholder communications, investor relations, and other corporate and operational matters as required. Further details of this agreement are set out in Section 6.5 (and Section 12.6).

11.5 EXECUTIVE EMPLOYMENT AGREEMENTS

The Company has entered into executive employment agreements with John de Stefani and Vic Palanyk that govern, amongst other things, their duties, remuneration and entitlements. Further details of these agreements are set out in Section 6.

11.6 NON-EXECUTIVE DIRECTORS LETTER OF APPOINTMENT

The Company has entered into letters of appointment with Simon Hickey, Keith Skipper and Stephen Bizzell in respect of their appointments as Chairman and Non-Executive Directors respectively, of the Company. The letters of appointment are in standard form and details the nature of Mr Hickey's, Mr Skipper's and Mr Bizzell's appointment, their duties and remuneration entitlements (as set out in Section 6).

11.7 DEEDS OF ACCESS AND INDEMNITY

Each of the Directors and senior managers have entered into a Deed with the Company whereby the Company has:

- (a) provided certain contractual rights of access to books and records of the Company to those officers;
- (b) agreed to provide certain indemnities to each of the Director and Officers to the extent permitted by the Corporations Act and to the extent that certain liabilities did not arise out of conduct which was not in good faith; and
- (c) agreed to use its best endeavours to procure and maintain directors indemnity insurance on terms and conditions that are not materially less favourable to the Director or Officer concerned than the terms of the directors indemnity insurance policy in favour of that Director or Officer at the time they cease to be an officer and for at least seven years after cessation as an officer.



12.1 RIGHTS ATTACHING TO SHARES IN THE COMPANY

A summary of the rights which relate to all New Shares which may be issued pursuant to this Prospectus is set out below. These rights are the same as those in respect of the Company's existing issued Shares. This summary does not purport to be exhaustive or constitute a definitive statement of the rights and liabilities of the Company's Shares.

Voting

At a general meeting of the Company on a show of hands, every member present in person or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

Dividends

The New Shares will rank equally with all other issued Shares in the capital of the Company and may participate in dividends from time to time from their date of issue. Subject to the rights of holders of Shares of any special preferential or qualified rights attaching thereto, dividends are payable amongst the holders of Shares in proportion to the amounts paid up on such Shares respectively at the date of declaration of the dividend. The Directors may from time to time pay to Shareholders such final and interim dividends as in their judgment the position of the Company justifies.

Winding Up

Upon paying the Application Monies, Shareholders will have no further liability to make payments to the Company in the event of the Company being wound up pursuant to the provisions of the Corporations Act.

Transfer of Securities

Generally, the Shares in the Company will be freely transferable, subject to satisfying the usual requirements of security transfers on ASX. The Directors may decline to register any transfer of Shares, but only where permitted to do so under its Constitution or the Listing Rules.

Sale of Non-Marketable Holdings

The Company may take steps in respect of non-marketable holdings of Shares in the Company to affect an orderly sale of those Shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non-marketable holdings in accordance with the Constitution and the Listing Rules. For more particular details of the rights attaching to Shares in the Company, investors should refer to the Constitution of the Company.

12.2 DETAILS OF OPTIONS ON ISSUE

Upon completion of the Offer the Company will have on issue the following Options:

TYPE	NUMBER OF OPTIONS ²	EXERCISE PRICE	VESTING DATE	EXPIRY DATE
Options issued under former ESOP	2,000,000	\$0.25	Vested	31 Dec 2018
Director Options ¹	5,500,000	\$0.30	Vested	30 Jun 2017
Tranche 1 BCP Options	2,000,000	\$0.24	Vested	31 Dec 2016
Tranche 2 BCP Options	1,000,000	\$0.24	Date of listing	31 Dec 2018
Consultant Options	400,000	\$0.24	Vested	31 Dec 2018
Loyalty Options	10,795,375	\$0.24	90 days after listing	31 Dec 2018
Broker Options	Between 4,200,000 and 6,000,000	\$0.24	Date of listing	31 Dec 2018
New Options	Between 10,500,000 and 15,000,000	\$0.20	90 days after listing	31 Dec 2015

⁽¹⁾ Excludes 500,000 Options offered to Stephen Bizzell in connection with his appointment as Non-Executive Director. These Options have been offered subject to obtaining Shareholder approval under Part 2E of the Corporations Act at the next AGM of the Company. See Section 12.6 for further details.

⁽²⁾ Excludes any Piggy-Back Options issued on exercise of New Options. Further details regarding the Piggy-Back Options are described in Sections 5.3 and 12.3.

Options Issued under former ESOP

As at the date of this Prospectus, the Company has 2,000,000 unexercised options that were issued under the Company's former Employee Share Option Plan. The options have an exercise price of \$0.25, have vested and are subject to the terms of the former Employee Share Option Plan, the material terms of which are summarised below:

- (a) In the event of a reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of options or the exercise price (or both) will be adjusted to the extent necessary;
- (b) The Optionholder shall not participate in dividends or new issues of securities by the Company (subject to (c) below);
- (c) In the event of a pro-rata bonus or cash issue of Shares, the number of Shares issued on exercise of Options and the exercise price will be adjusted to the extent necessary;
- (d) The Options will immediately lapse if the Optionholder ceases to be an employee or independent contractor of the Company (subject to (e) to (g) below);
- (e) If the Optionholder dies, the representative of the Optionholder's estate may exercise the options;
- (f) If the Optionholder becomes disabled and is unable to perform their normal duties, the Optionholder may exercise their options within a specified number of days determined by the board;
- (g) If the Optionholder is made redundant, all options held by the Optionholder will immediately be suspended and not capable of being exercised, and after 60 days will immediately lapse unless the board allows the Optionholder to exercise the options, in which case the Optionholder will have a period of 3 months to exercise the options; and
- (h) Unless the board determines otherwise, the options may not be exercised within one month before the scheduled date for release of the Company's:
 - (1) half-yearly financial statement; or
 - (2) the annual financial statement.

Director Options

A summary of the rights which relate to the Director Options on issue or offered as at the date of this Prospectus are set

- (a) No consideration is payable for the grant of the Options.
- (b) The Options are options to subscribe for Shares.
- (c) The exercise price for the Options is \$0.30 (Exercise Price).

- (d) The Options will, except to the extent earlier exercised, expire on the earlier of:
 - (1) 30 June 2017;
 - (2) the Business Day after the expiration of 3 months, or any longer period which the Board may determine, after the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company; or
 - (3) the date on which the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company due to fraud or dishonesty,

(Expiry Date).

- (e) The Options are transferable in whole or in part.
- (f) The 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 Option to the Company at any time on or after the vesting date (if applicable) and on or before the Expiry Date.
- (g) Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue Shares ranking pari passu with the then issued Shares.
- (h) The Option holder does not have any right to participate in new issues of securities in the Company made to shareholders generally. In the event that the Company is listed on ASX or an Approved Overseas Financial Market, the Company will, where required pursuant to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), provide the Option holder with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable).
- (i) The Option holder does not participate in any dividends unless the Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- (j) In the event that the Company is listed on ASX or an Approved Overseas Financial Market, the Company does not intend to apply for listing of the Options on the ASX or an Approved Overseas Financial Market (as applicable).
- (k) Subject to the Company being listed on ASX or an Approved Overseas Financial Market, the Company shall apply for listing on the ASX or an Approved Overseas Financial Market (as applicable) of the resultant Shares of the Company issued upon exercise of any Option.

(I) In the event that the Company is listed on ASX or an Approved Overseas Financial Market, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), if there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E[P - (S + D)]}{N + 1}$$

Where:

Oⁿ = the new exercise price of the Option;

O = the old exercise price of the Option:

E = the number of underlying Shares into which one Option is exercisable

P =

- (1) if the Company is listed on ASX or an Approved Overseas Financial Market, the average market price per share (weighted by reference to volume) of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date; or
- (2) otherwise, the average market price per Share determined by the accountants for the Company;

S = the subscription price for a Share under the pro rata issue;

- D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and
- N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.
- (m) In the event that the Company is listed on ASX or an Approved Overseas Financial Market, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), if there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (n) In the event that the Company is listed on ASX or an Approved Overseas Financial Market, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), the terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

- (o) Subject to the Company being listed on ASX or an Approved Overseas Financial Market, in the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (1) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable) at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (2) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- (p) For the purposes of these terms and conditions, "Approved Overseas Financial Market" means a financial market outside Australia which ASIC has declared in writing under Class Order 02/249 to be an approved overseas financial market for the purposes of subsection 257B(7) of the Corporations Act.

Loyalty Options

The terms of the Loyalty Options are comparable to the terms of the Director Options as described above, save for the following:

- (a) the exercise price of the Options is \$0.24;
- (b) the Options will only vest 90 days after the admission of the Company to the official list of the ASX;
- (c) the Options can be cancelled at any time at the Company's election prior to the admission of the Company to the official list of the ASX;
- (d) the Options will expire 31 December 2018 unless earlier exercised; and
- (e) the Company may apply for listing of the Options on the ASX.

Broker Options

The terms of the Broker Options are the same as the Loyalty Options as described above, save for the following:

- (a) the Options will be issued and vest immediately upon the admission of the Company to the official list of the ASX; and
- (b) the Options will not be listed on the ASX and will not be transferrable in whole or in part and may not be exercised by any other person.

Bizzell Capital Partners Options

Bizzell Capital Partners Pty Ltd have been issued two separate tranches of Options.

The rights which relate to Tranche 1 of the Bizzell Capital Partners Options are on comparable terms to the Director Options set out above, save for the following:

- (a) the exercise price of the Options is \$0.24;
- (b) the Options will expire on 31 December 2016 unless earlier exercised; and
- (c) the Options are not transferable in whole or in part.

The rights which relate to Tranche 2 of the Bizzell Capital Partners Options are on the same terms as the Broker Options described above.

Consultant Options

The terms of the Consultant Options are the same as the Loyalty Options described above, save that they vest immediately upon grant and cannot be cancelled by the Company prior to the admission of the Company to the official list of the ASX.

New Options

Upon issue, the New Options will have the same terms as the Director Options, save for the following:

- (a) the exercise price of the Options is \$0.20;
- (b) the Options will vest 90 days after the admission of the Company to the Official List of the ASX;
- (c) unless the Company determines otherwise from time to time, securities will be issued on exercise of the Options at the end of the quarter immediately following exercise;
- (d) the Options will expire on 31 December 2015 unless earlier exercised;
- (e) upon exercise of the Option the Option holder will be entitled to one Share and one Piggy-Back Option for every New Option exercised; and
- (f) the Options will not be transferrable in whole or in part and may not be exercised by any other person (except in the case of the Option holder's death, by his or her legal representative.

12.3 DETAILS OF PIGGY-BACK OPTIONS

As set out in Section 5.2, Option holders who exercise their New Options by the expiry date, 31 December 2015, will be entitled to one Share and one Piggy-Back Option for every New Option exercised. The Piggy-Back Options will have the same terms as the Loyalty Options, except that the Options will vest immediately on the date of grant.

12.4 EMPLOYEE SHARE AND OPTION PLAN

The Company has adopted an Employee Share and Option Plan (ESOP) which replaced the former ESOP described in Section 12.2. At the date of this Prospectus, the Company has not issued any Options under the ESOP.

A summary of the key terms of the ESOP is as follows:

- (a) The ESOP is to extend to eligible employees and directors of the Company or an associated body corporate of the Company as the Board may in its discretion determine.
- (b) The total number of Shares to be issued by the Company to eligible employees in respect of which either Shares or Options have been issued under the ESOP shall not at any time exceed 5% of the Company's total issued ordinary Share capital in that class at that time when aggregated with:
 - (1) the number of Shares in the same class which would be issued if each outstanding offer with respect to Shares or Options under any share option scheme of the Company were accepted and exercised; and
 - (2) the number of Shares in the same class issued during the previous five years pursuant to:
 - (A) the ESOP to an eligible employee; or
 - (B) any employee share option scheme of the Company, but excluding for the purposes of the calculation, any offer made, or Option acquired or Share issued by way of or as a result of:
 - (C) any offer to a person situated at the time of receipt of the offer made outside of this jurisdiction;
 - (D) an offer that did not require disclosure to investors because of Section 708 of the Corporations Act; or
 - (E) an offer made under a disclosure document within the meaning of the Corporations Act.
- (c) The price at which the Shares and Options are to be issued will be determined by the Board.
- (d) The exercise price of an Option is to be determined by the Board at its sole discretion.
- (e) The vesting date will be any such date or dates with respect to the Options or tranches of Options (as the case may be) as may be determined by the Board from time to time.
- (f) The Option commencement date will be the date to be determined by the Board prior to the issue of the relevant Options.

- (g) If a participant's employment with the Company ceases because of an uncontrollable event such as death or serious injury the Board may in its absolute discretion determine the extent to which any unvested Options that have not lapsed will become vested. The participant may exercise vested Options at any time prior to the first to occur of, the last exercise date of the Options, and the date 12 months after cessation of employment (or such other period as the Board determines).
- (h) If a Participant's employment or engagement with the Company ceases because of a controllable event, unless otherwise determined by the Board any unvested Options will lapse. The participant may exercise vested Options at any time prior to the first to occur of, the last exercise date of the Options, and the date 3 months after cessation of employment (or such other period as the Board determines).
- (i) Eligibility to participate is determined by the Board.
 Eligibility is restricted to eligible employees of the
 Company or an associated body corporate of the Company.
 The Board is entitled to determine:
 - subject to the terms of the ESOP, the total number of Options to be offered in any one year to eligible employees;
 - (2) the eligible employees to whom offers will be made; and
 - (3) the terms and conditions of any Options granted, subject to the ESOP.
- (j) Participants do not participate in dividends or in bonus issues unless the Options are exercised.
- (k) Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
- (I) In the event of a pro rata issue (except a bonus issue) made by the Company during the term of the Options the Company may adjust the exercise price for the Options in accordance with a specified formula.
- (m) The Board has the right to vary the entitlements of all participants to take account of the effective capital reconstructions, bonus issues or rights issues.
- (n) The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.

- (o) The Board may impose as a condition of any offer of Shares and Options under the ESOP any restrictions on the transfer or encumbrance of such Shares and Options as it determines.
- (p) The Board may vary the ESOP.
- (q) The ESOP is separate to and does not in any way form part of, vary or otherwise affect the rights and obligations of a participant under the terms of his or her employment or arrangement.
- (r) At any time from the date of an offer of Shares or Options until the acceptance date of that offer, the Board undertakes that it shall provide information as to:
 - (1) the current market price of the Shares; and
 - (2) the acquisition price of the Shares or Options offered where this is calculated by reference to a formula, as at the date of the Offer,

to any participant by mail (or such other form of notification as agreed by the Company and the participant) within three Business Days of a written request to the Company from that participant to do so.

12.5 PERFORMANCE RIGHTS PLAN

The Company has established a Performance Rights Plan (Plan), being a retention and long term incentive scheme aimed at creating a stronger link between an eligible recipient's performance and reward whilst increasing Shareholder value in the Company.

The Company has obtained from ASIC the necessary relief to issue Performance Rights under the Performance Rights Plan without the need to hold a Financial Services licence or to issue a disclosure document.

Persons eligible to participate in the Plan include a director who holds salaried appointment with the Company, employees or a consultant who has worked with the Company for more than 12 months and who receives 80% of their income from the Company (or their respective nominees) who the Board determines in its absolute discretion is to participate in the Performance Rights Plan (Eligible Person).

Key features of the Plan include:

(a) The Board of the Company may from time to time in its absolute discretion issue or cause to be issued invitations on behalf of the Company to Eligible Persons to participate in the Performance Rights Plan. The invitation will include information such as performance hurdles and performance periods. On vesting, one Performance Right is exercisable into one Share.

- (b) A Participant in the Performance Rights Plan will not pay any consideration for the grant of the Performance Rights. An Eligible Person has no right to be granted any Performance Rights unless and until such Performance Rights are granted. The Performance Rights will not be listed for quotation on the ASX.
- (c) Except on the death of a participant, the Performance Rights may not be transferred, assigned or novated except with the approval of the Board.
- (d) A Performance Right does not confer on the Eligible Person the right to participate in a new issue of Shares by the Company, including by way of bonus issue, rights issue or otherwise.
- (e) As soon as reasonably practicable after the date at which performance hurdles are to be measured to determine whether the Performance Right becomes vested (Test Date), the Board shall determine in respect of each Participant as at that Test Date:
 - (1) whether, and to what extent, the performance hurdles applicable up to the Test Date have been satisfied;
 - (2) the number of Performance Rights (if any) that will vest as at the Test Date;
 - (3) the number of Performance Rights (if any) that will lapse as a result of the non-satisfaction of performance hurdles as at the Test Date; and
 - (4) the number of Performance Rights (if any) in respect of the performance period that continue unvested,
 - and shall provide written notification to each Participant as to that determination.
- (f) If a Participant's employment or engagement with the Company ceases because of an uncontrollable event such as death or serious injury, all of the Participant's Performance Rights that are capable of becoming exercisable if performance hurdles are met at the next Test Date, will become vested. In addition, the Board may in its absolute discretion determine the extent to which any other unvested Performance Rights that have not lapsed will become vested Performance Rights. Such vested Performance Rights may be exercised at any time prior to the first to occur of, the last exercise date of the Performance Rights, and the date 3 months after cessation of employment (or such other period as the Board determines).
- (g) If a Participant's employment or engagement with the Company ceases because of a controllable event, the Board may in its absolute discretion determine the extent to which the unvested Performance Rights that have not lapsed will become vested Performance Rights. Such vested Performance Rights may be exercised at any time prior to the first to occur of, the last exercise date of the Performance Rights, and the date 3 months after cessation of employment (or such other period as the Board determines).

- (h) Where the Board is of the opinion that a Participant has acted fraudulently, dishonestly or is in material breach of his or her obligations to the Company then the Board may determine that the Participant's Performance Rights will lapse.
- (i) Where a change of control event occurs (such as an unconditional takeover bid, a Court approved scheme of arrangement or a person acquiring more than 50% in the Company):
 - (1) all of the Participant's unvested Performance Rights, that have not lapsed, will become vested Performance Rights; and
 - (2) the Board shall promptly notify each Participant in writing that he or she may, within the period specified in the notice, exercise vested Performance Rights.
- (j) If there are certain variations of the share capital of the Company including a capitalisation or rights issue, sub division, consolidation or reduction in share capital, a demerger (in whatever form) or other distribution in specie, the Board may make such adjustments as it considers appropriate under the Performance Rights Plan, in accordance with the provisions of the Listing Rules.
- (k) Participants who are holding a Performance Right issued pursuant to the Performance Rights Plan have no rights to dividends and no rights to vote at meetings of the Company until that Performance Right is exercised and the Participant is the holder of a valid Share in the Company.
- (I) Shares acquired upon exercise of the Performance Rights will upon allotment rank pari passu in all respects with other Shares. In the event that the Company becomes listed on the ASX, the Company will apply for quotation of the Shares on the ASX within 10 Business Days after the date of allotment of those Shares.

The Company has granted a total of 1,000,000 Performance Rights. 1,000,000 Performance Rights have been issued to Directors and Executive Management as set out in Section 6.5.

12.6 RELATED PARTY TRANSACTIONS

Chapter 2E of the Corporations Act governs related party transactions with respect to public companies. Related parties include directors and entities controlled by Directors, their spouses, parents or children. Related party transactions require shareholder approval unless they fall within one of the exceptions in Chapter 2E of the Corporations Act.

Since incorporation, the Company has entered into a number of transactions with related parties which have either taken place before UIL Energy was a public company, fallen within one of the exceptions in Chapter 2E of the Corporations Act or been approved by Shareholders in general meeting. A summary of the transactions is set out below.

(a) Acquisition of interest in EP 447 Farm-in Agreements

The Company entered into a Deed of Assignment with Jaldale Pty Ltd (Jaldale) under which Jaldale assigned its interest in the EP 447 Farm-in Agreement and a farm-in agreement for EP 359 (which has subsequently been terminated by the Company) (EP 359 Farm-In Agreement) to the Company. Jaldale is a related party with Simon Hickey and acquired its interests in the EP 447 Farm-In Agreement and the EP 359 Farm-In from another related party of Mr Hickey shortly before the assignment to the Company. In consideration for the assignment, on 10 October 2012 the Company issued 17,000,000 Shares in the Company to Jaldale. The board considered the issue of Shares to Jaldale to be at arm's length and Shareholder approval was not required and in addition the Company was a proprietary limited company and was not subject to Chapter 2E of the Corporations Act.

(b) Placements to John de Stefani

On or about 11 January 2012, the Company issued ENJJ Co Pty Ltd, an entity related to John de Stefani, 1,000,000 Shares at an issue price of \$0.05 per Share. At the time of the placement shareholder approval was not required as the Company was a proprietary limited company and was not subject to Chapter 2E of the Corporations Act.

In addition, the Company issued ENJJ Co Pty Ltd 136,000 and 84,000 shares at an issue price of \$0.125 per share on 18 September 2012 and 28 August 2013 respectively. The shares were issued on the same terms as shares issued to unrelated investors who participated in a capital raising at that time. Accordingly the Board considered the issue to ENJJ Co Pty Ltd to be at arms length and shareholder approval was not required.

(c) Convertible Note Placement

On or about 12 April 2013, the Company entered into underwriting agreements with ENJJ Co Pty Ltd (an entity related to John de Stefani) and Simon Hickey with respect to a \$3 million capital raising conducted by the Company by way of an issue of Convertible Notes (Convertible Note Offer). Pursuant to the underwriting agreements ENJJ Co Pty Ltd and Simon Hickey each agreed to underwrite up to \$387,000 of the Convertible Note Offer at the same price and on the same terms as subscribers under the Convertible Note Offer.

Pursuant to the terms of the underwriting agreements:

- ENJJ Co Pty Ltd subscribed for 272,000 Convertible Notes which converted into 2,176,000 Shares; and
- (2) Simon Hickey subscribed for 121,445 Convertible Notes, which converted into 971,560 Shares.

No fees were paid to either Mr Hickey or Mr de Stefani in connection with the underwriting agreements and the Board considered the underwriting arrangements were on arms length terms or terms less favourable to Mr Hickey and Mr de Stefani than arms length terms and shareholder approval was not required.

In addition to the underwriting commitments:

- (1) John de Stefani (or persons or entities related to him) subscribed for 100,000 Convertible Notes under the Convertible Note Offer, which converted into 800,000 Shares; and
- (2) Simon Hickey (or persons or entities related to him) subscribed for 150,000 Convertible Notes under the Convertible Note Offer, which converted into 1,200,000 Shares.

As the participation of Mr de Stefani and Mr Hickey was on the same terms as other subscribers under the Convertible Note Offer, the Board considered it to be at arm's length and shareholder approval was not required.

Under the Convertible Note Offer Stephen Bizzell (and persons or entities related to him) subscribed for 274,110 Convertible Notes which converted into 2,043,643 Shares. At the time of participation Mr Bizzell was not a Director or related party of the Company (and there was no basis for the Company to believe Mr Bizzell would become a related party in the future). Mr Bizzell (and persons or entities related to him) was however a related party at the time the Convertible Notes converted into Shares. On the basis that participation was on the same terms as other subscribers under the Convertible Note Offer, the board considered it to be at arm's length and Shareholder approval was not required.

(d) Director Options

Prior to becoming a public company, the Company issued the following Options to Directors:

- (1) 3,000,000 Options to John de Stefani in connection with his employment, exercisable at \$0.05. These Options were exercised on 20 November 2013 and Mr de Stefani was issued 3,000,000 Shares; and
- (2) 3,000,000 Options to John de Stefani, 2,000,000
 Options to Simon Hickey and 500,000 Options to Keith
 Skipper on 17 April 2012 as part of their respective
 Director remuneration entitlements. After obtaining
 Shareholder approval under Part 2E of the
 Corporations Act at the 2013 AGM, the terms of these
 Options were amended and the Options now have
 an exercise price of \$0.30 and an expiry date of the
 earlier of:
 - (A) 30 June 2017;
 - (B) the Business Day after the expiration of 3 months, or any longer period which the Board may determine, after the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company; or

(C) the date on which the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company due to fraud or dishonesty.

At the time of the issue of the above Options shareholder approval was not required as the Company was a proprietary limited company and was not subject to Chapter 2E of the Corporations Act.

Since becoming a public company, Options, which have now expired, were issued to Directors and former Directors after obtaining Shareholder approval under Part 2E of the Corporations Act.

In addition, the Company has offered the following Options to a Director subject to obtaining Shareholder approval under Part 2E of the Corporations Act at the next AGM of the Company:

- (1) 500,000 Options to Stephen Bizzell in connection with his appointment as a Director of the Company, exercisable at \$0.30 and with an expiry date of the earlier of:
 - (A) 30 June 2017;
 - (B) the Business Day after the expiration of 3 months, or any longer period which the Board may determine, after the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company; or
 - (C) the date on which the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company due to fraud or dishonesty.

A summary of the terms and conditions of the Options are outlined in Section 12.2.

(e) Issue of Performance Rights

Pursuant to the terms of the executive employment agreement with John de Stefani and a consultancy agreement with MITA Consulting LLC, a company related to Simon Hickey, the Company has issued the following Performance Rights under the Company's Performance Rights Plan after obtaining Shareholder approval under Part 2E of the Corporations Act at the 2013 AGM:

- (1) 240,000 Performance Rights to Simon Hickey; and
- (2) 430,000 Performance Rights to John de Stefani.

Further details of the terms of the Performance Rights and the Performance Rights Plan are set out in Sections 12.5.

(f) Issue of Shares to John de Stefani

John de Stefani (including his related entities) was issued 450,000 Shares on 18 August 2014 to address the disparity between the market rate for an executive with responsibilities comparable to those of Mr de Stefani in his role as Managing Director of the Company and the compensation received or to be received by Mr de Stefani and to align Mr de Stefani's interests with those of shareholders. Shareholder approval under Part 2E of the Corporations Act to issue the Shares to Mr de Stefani was obtained at the 2013 AGM.

In addition, Mr de Stefani (including his related entities) was issued 224,000 Shares on 22 November 2013 at a deemed issue price of \$0.30 and 1,050,000 Shares on 31 July 2014 at a deemed issue price of \$0.125 as part consideration for accrued but unpaid wages, for a period of over eighteen months, pursuant to his employment agreement. The issue of the Shares to Mr de Stefani was considered to be reasonable remuneration for the purposes of Section 211 of the Corporations Act and as such, shareholder approval to issue the Shares has not been sought.

(g) Issue of Shares to Simon Hickey

Simon Hickey was issued 524,000 Shares on 25 November 2013 at a deemed issue price of \$0.30 and 915.000 Shares on 31 July 2014 at a deemed issue price of \$0.125 as part consideration for accrued but unpaid consultancy fees owing to MITA Consulting LLC (a company related to Mr Hickey) pursuant to a consultancy agreement. The Board considered the issue of Shares to Mr Hickey to be on arms length terms and shareholder approval was not required.

(h) Executive Employment Agreement

The Company has entered into an executive employment agreement with John de Stefani. The terms of the agreement are set out in Section 6.5. The agreement is considered to be reasonable remuneration for the purposes of Section 211 of the Corporations Act and as such, shareholder approval to enter into the agreement has not been sought.

(i) Consulting Agreement with MITA Consulting LLC

The Company has entered into a consultancy agreement with MITA Consulting LLC a company related to Simon Hickey. The terms of the agreement are set out in Section 6.5. The agreement is considered to be on arms length commercial terms and conditions for the purposes of Section 211 of the Corporations Act and as such, shareholder approval to enter into the agreement has not been sought.

(j) Payment of Directors' Fees

The Directors have been paid the fees disclosed in Section 6.6. All of these payments are considered to be reasonable remuneration for the purposes of Section 211 of the Corporations Act and as such, shareholder approval to pay the fees has not been sought.

(k) Convertible Note Placement

On or about 19 December 2013, the Company entered into underwriting agreements with each of Simon Hickey and ENJJ Co Pty Ltd (a related party of John de Stefani) with respect to a \$650,000 raising by way of an issue of convertible notes in the Company (**Note Raising**).

Pursuant to the underwriting agreements:

- (1) Simon Hickey agreed to underwrite up to \$50,000 of the Note Raising; and
- (2) ENJJ Co Pty Ltd agreed to underwrite up to \$100,000 of the Note Raising.

No fee was payable to Simon Hickey and ENJJ Co Pty Ltd under the underwriting agreement.

On or about the same date the Company entered into loan agreements with each of Simon Hickey and ENJJ Co Pty Ltd under which each underwriter agreed to advance loan funds to the Company equal to the amount of the underwriter's proportion of the shortfall amount. The obligation of the Company to repay the loan funds was to be set off against the underwritten cash amount at the final shortfall date.

Pursuant to the terms of the underwriting agreements the following was issued in satisfaction of the loan:

- (1) ENJJ Co Pty Ltd subscribed for 80,769 Convertible Notes which converted into 576,921 Shares; and
- (2) Simon Hickey subscribed for 40,385 Convertible Notes, which converted into 288,464 Shares.

The Board considered the underwriting arrangements was on arms length terms and shareholder approval was not required.

In addition to the underwriting agreements with Mr Hickey and ENJJ Co Pty Ltd, the company also entered into an underwriting agreement and loan arrangement with Bizzell Capital Partners Pty Ltd (BCP) (an entity related to Stephen Bizzell) on or about 10 December 2013 pursuant to which BCP agreed to underwrite up to \$500,000 of the Note Offer (BCP Underwriting Arrangement).

Similar to the loan agreement between the Company and Simon Hickey and ENJJ Co Pty Ltd (described above), BCP agreed to advance loan funds to the Company equal to the amount of its shortfall amount under its underwriting commitment.

As a result of the BCP Underwriting Arrangement, BCP were issued 403,846 Convertible Notes in satisfaction of the loan which converted into 2,884,614 Shares. An underwriting fee which the company considers is commercial and typical for this type of arrangement was paid to BCP.

At the time of entering into the underwriting and loan agreements shareholder approval was not required because Mr Bizzell was not a director or related party of the Company and BCP was not a related party of the Company (and there was no basis for the Company to believe that Mr Bizzell or BCP would become a related party in the future). In any event, the BCP Underwriting Arrangement was negotiated on reasonable and arm's length terms.

BCP was however a related party of the Company (because Mr Bizzell had been appointed as a director) at the time the Convertible Notes and conversion Shares were issued, and the underwriting fee was paid. On the basis that the terms had been previously agreed to at arm's length, no shareholder approval was required.

(I) Loan Agreements

The Company had previously entered into unsecured loan arrangements with entities related to certain of its Directors under which those lenders provided the Company with funding for working capital purposes. No interest was payable to the directors or related parties and the loan amounts have been repaid. No shareholder approval was required for these transactions on the basis that the loans were on arms length terms.

12.7 SUBSIDIARY COMPANIES

The company has the following wholly owned subsidiary companies (Subsidiaries):

- (1) PB Energy No. 1 Pty Ltd;
- (2) Cape Range Energy Pty Ltd; and
- (3) UIL Canning Basin Pty Ltd.

The Subsidiaries do not have any material assets or liabilities.

12.8 LITIGATION

Legal proceedings may arise from time to time in the course of the Company's business. As of the date of this Prospectus, the Company is not involved in any material litigation or arbitration proceedings, nor, so far as the Directors are aware, are any such proceedings pending or threatened against the Company.

12.9 DIVIDEND POLICY

It is the present intention of the Directors to apply surplus cash flow to fund the exploration of UIL Energy's project portfolio and any resultant development or production and generate new opportunities, rather than distributing this money in the form of dividends.

It is the Directors' intention to review this policy from time to time and commence the payment of a regular dividend once UIL Energy is able to generate a substantial and sustainable level of cash flow, after allowing for capital expenditure and other commitments.

The Directors can give no assurance as to the amount, timing, franking or payment of any future dividends by UIL Energy. The capacity to pay dividends will depend on a number of factors including future earnings, capital expenditure requirements and the financial position of UIL Energy.

12.10 FOREIGN SELLING RESTRICTIONS

(a) Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong (the "Companies Ordinance"), nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

(b) Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions

in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in Section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

(c) United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of Section 85 of the Financial Services and Markets Act 2000, as amended ("FSMA")) has been published or is intended to be published in respect of the New Shares. This document is issued on a confidential basis to "qualified investors" (within the meaning of Section 86(7) of FSMA) in the United Kingdom, and the New Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to Section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of FSMA) received in connection with the issue or sale of the New Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which Section 21(1) of FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 ("FPO"), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d)

(high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together "relevant persons"). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

(d) United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

12.11 LIABILITY OF OTHER PERSONS NAMED IN THIS PROSPECTUS

Notwithstanding that they may be referred to elsewhere in this Prospectus:

HopgoodGanim are named in the Corporate Directory as solicitors to the Company in relation to the Offer and prepared the Solicitor's Report set out in Section 9 of this Prospectus and have been involved in the process of reviewing this Prospectus for consistency with the material contracts. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. HopgoodGanim has given its consent for the inclusion of the Solicitor's Report in the Prospectus and to be named in the form and context in which it is named and has not withdrawn that consent prior to the lodgement of this Prospectus with ASIC. They do not make any other statement in this Prospectus. HopgoodGanim will be paid for work performed in accordance with usual time based charge out rates and estimate their professional costs at \$100,000 (excluding disbursements and GST), at the date of this Prospectus.

McDaniel & Associates Consultants Ltd (McDaniel) is named in the Corporate Directory as Independent Geological Consultant to the Company and has prepared the Independent Geologist's Report, which is set out in Section 8. McDaniel has given consent for inclusion of the Independent Geologist's Report in the Prospectus and to be named in the form and context in which it is named, and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. In doing so, it has placed reasonable reliance upon information provided to it by the Company and other third parties. Other than those included in the Independent Geologist's Report, it does not make any other statement in this Prospectus. McDaniel will be paid for work performed in accordance with usual time based charge out rates and estimate their

professional costs at \$67,000 (excluding disbursements and GST) at the date of this Prospectus.

ACIL Allen Consulting Pty Ltd are referenced in the Prospectus as Industry Expert to the Company. They were involved in the preparation of the Independent Market Report on the Western Australian gas market, which is set out in Section 3 of the Prospectus. In doing so, they have placed reasonable reliance upon information provided to them by the Company and other third parties. They do not make any other statement in this Prospectus. They will be paid for work performed in accordance with usual time based daily fee rates plus sundries and estimate their professional costs at \$32,600 (excluding disbursements and GST) at the date of this Prospectus. Subsequent fees and disbursements, including actual travel costs (where agreed to by the Company), ground transport and accommodation together with time charged at the standard day rates for the consultant will be recovered at cost.

BDO Audit Pty Ltd (BDO) is named in the Corporate Directory as Independent Accountants and Auditors to the Company. They were involved in the preparation of the Independent Accountant's Report set out in Section 10. BDO has given consent for inclusion of Independent Accountant's Report in the Prospectus and to be named in the form and context in which it is named, and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC. In doing so, it has placed reasonable reliance upon information provided to it by the Company and other third parties. Other than contained in the Independent Accountant's Report it does not make any other statement in this Prospectus. BDO will be paid for work performed in accordance with usual time based charge out rates and estimate their professional costs at \$20,000 (excluding disbursements and GST), at the date of this Prospectus.

Bell Potter Securities Limited is named in the Corporate Directory as a Lead Manager to the Offer. Bell Potter Securities Limited has given its written consent to be named as a Lead Manager to the Offer in the form and context in which it is named and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Bell Potter Securities Limited makes no statement in this Prospectus nor are any statements made in this Prospectus based on any statement by it, other than being named as a Lead Manager, and has not authorised or caused the issue of, this Prospectus.

Bizzell Capital Partners Pty Ltd is named in the Corporate Directory as Corporate Advisor to the Offer. Bizzell Capital Partners Pty Ltd has given its written consent to be named as Corporate Advisor to the Offer in the form and context in which it is named and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC. Bizzell Capital Partners Pty Ltd has not authorised or caused the issue of this Prospectus and does not make or purport to make any statement in this Prospectus. In consideration of Bizzell Capital Partners Pty Ltd's role as Corporate Advisor to the Offer it will receive a fee as set out in Section 11.3.

Link Market Services Limited has given its written consent to be named as the Registry in the form and context in which it is named and has not withdrawn its consent prior to lodgement of this Prospectus within ASIC. Link Market Services Limited has had no involvement in the preparation of any part of the Prospectus other than being named as the Share Registry to the Company. Link Market Services Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of the Prospectus.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus. There are no statements made in this Prospectus on the basis of any statements made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

12.12 INTERESTS OF EXPERTS, ADVISERS AND DIRECTORS

Sections 6, 11 and 12 of this Prospectus set out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than set out in this Prospectus, no:

- (a) Director or proposed Director of UIL Energy;
- (b) person named in this Prospectus and who has performed a function in a professional, advisory, or other capacity in connection with the preparation or distribution of this Prospectus;
- (c) promoter of UIL Energy; or
- (d) stockbroker or underwriter (but not a sub-underwriter) to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- (a) the formation or promotion of UIL Energy;
- (b) property acquired or proposed to be acquired by UIL Energy in connection with its formation or promotion, or in connection with the Offer; or
- (c) the Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given to any such persons for services in connection with the formation or promotion of UIL Energy or the Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director of UIL Energy.

12.13 INSPECTION OF DOCUMENTS

Copies of the following documents may be inspected free of charge at the registered office of the Company and at the offices of HopgoodGanim, Level 8, 1 Eagle Street, Brisbane during normal business hours:

- (a) Material Contracts in Section 11;
- (b) Constitution of the Company;
- (c) Consents referred to in this Prospectus;
- (d) Trading Policy; and
- (e) Corporate Governance Charter.

12.14 COSTS OF THE OFFER

If the Offer proceeds, the total estimated costs of the Offer including fees and commissions payable to the Lead Manager and Brokers, advisory, ASIC and ASX fees, Prospectus printing and miscellaneous expenses will be between a minimum of \$0.6 million and maximum of \$0.7 million.

12.15 PRIVACY

By submitting an Application Form for New Shares you are providing to the Company personal information about you. If you do not provide complete and accurate personal information, your application may not be able to be processed. The Company maintains the register of members of the Company through Link Market Services Limited, an external service provider. The Company requires Link Market Services Limited to comply with the National Privacy Principles while performing these services. The Company's register is required by law to contain certain personal information about you, such as your name and address and number of Shares held. In addition, the Company collects personal information from members including contact details, bank accounts, membership details and tax file numbers.

This information is used to carry out registry functions such as payment of dividends, sending annual and half yearly reports, notices of meetings, newsletters and notifications to the Australian Taxation Office. In addition, contact information will be used from time to time to inform members of new initiatives concerning the Company.

The Company understands how important it is to keep your personal information private. The Company will only disclose personal information it has about you:

- (a) when you agree to the disclosure;
- (b) when used for the purposes for which it was collected;
- (c) when disclosure is required or authorised by law;
- (d) to other members of the Group;
- (e) to the Lead Manager or your Broker; and

(f) to external service suppliers who supply services in connection with the administration of the Company's register such as mailing houses and printers, Australia Post and financial institutions.

Shareholders have the right to access, update and correct personal information held by the Company and Link Market Services Limited except in limited circumstances. Shareholders wishing to access, update or correct personal information held by Link Market Services Limited or by the Company should contact the respective offices.

If you have any questions concerning how the Company handles your personal information please contact the Company.

12.16 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the law applicable in Queensland (Australia), and each applicant for New Shares under this Prospectus submits to the exclusive jurisdiction of the courts of Queensland (Australia).

12.17 ELECTRONIC PROSPECTUS

An electronic version of this Prospectus is available from www.uilenergy.com.au.

The Application Form may only be distributed attached to a complete and unaltered copy of this Prospectus. The Application Form included with this Prospectus contains a declaration that the investor has personally received the complete and unaltered Prospectus prior to completing the Application Form.

The Company will not accept a completed Application Form if it has reason to believe that the investor has not received a complete paper copy or electronic copy of this Prospectus or if it has reason to believe that the Application Form or electronic copy of this Prospectus has been altered or tampered with in any way.

While the Company believes that it is extremely unlikely that in the Offer Period the electronic version of this Prospectus will be tampered with or altered in any way, the Company cannot give any absolute assurance that it will not be the case. Any investor in doubt concerning the validity or integrity of an electronic copy of this Prospectus should immediately request a paper copy of this Prospectus directly from the Company or a financial adviser.

12.18 SUBSEQUENT EVENTS

There has not arisen at the date of this Prospectus any item, transaction or event of a material or unusual nature not already disclosed in this Prospectus which is likely, in the opinion of the Directors of the Company to affect substantially:

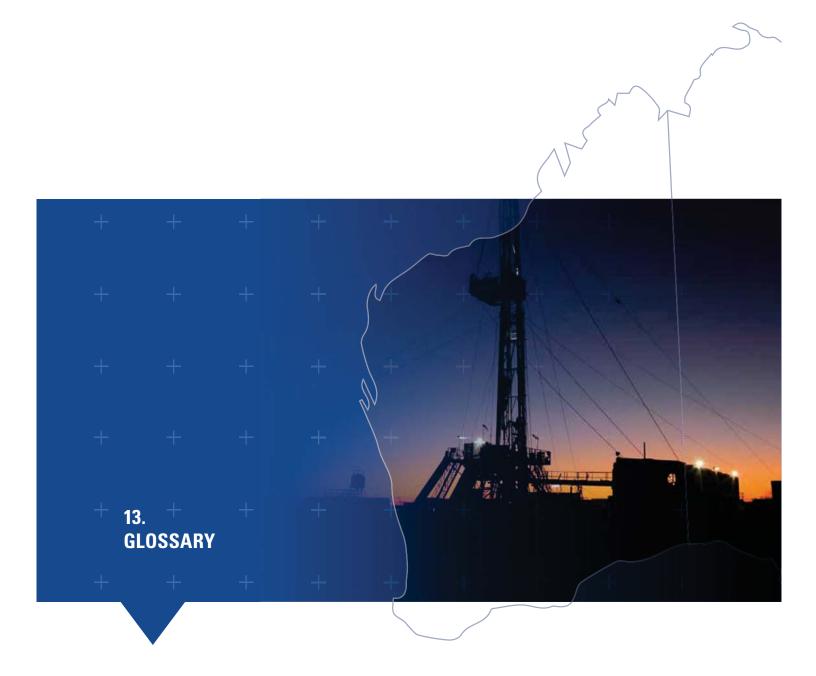
- (a) the operations of the Company;
- (b) the results of those operations; or
- (c) the state of affairs of the Company.

12.19 CONSENT TO LODGEMENT

Each of the Directors of the Company has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Company by:

Simon Hickey Chairman



\$	Australian dollars (unless otherwise indicated)				
ACIL Allen	ACIL Allen Consulting Pty Ltd				
ACIL Allen Report	The Independent Market Report on the Western Australian gas market report prepared by ACIL Allen and set out in Section 3				
AEST	Australian Eastern Standard Time				
AIM	The market formerly known as the Alternative Investment Market, which is a component of the LSE				
Applicant	A person applying for New Shares offered by this Prospectus under the Offer				
Application	An application for New Shares under the Offer				
Application Amount	The total amount shown on the Application Form for the Application Monies				
Application Form	The Application Form enclosed with and forming part of this Prospectus for use by Applicants				
Application Monies	The Offer Price multiplied by the number of New Shares applied for				
ASIC	Australian Securities and Investments Commission				
ASX Settlement Operating Rules	, , , , , , , , , , , , , , , , , , , ,				
ASX	ASX Limited – ABN 98 008 624 691				
Authorisations Certain licences, authorisations and permits in respect of exploration and development activ					
Basin	A depression of large size, filled with sediment which is usually structural in origin				
Basin Centred Gas Accumulation					
BCF	Billion Cubic Feet (Gas)				
Best Estimate	With respect to resource categorization, this is considered to be the best estimate of the quantity that will actually be recovered from the accumulation by the project. It is the most realistic assessment of recoverable quantities if only a single result were reported. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.				
Bizzell Capital Partners Options	Options issued to Bizzell Capital Partners Pty Ltd on the terms described in Section 12.2				
Board	The board of Directors of the Company from time to time				
ВОЕ	Barrels of oil equivalent. Natural gas is converted to barrels of oil equivalent using a ratio of 6,000 cubic feet of natural gas per one barrel of crude oil				
Broker(s)	An ASX participating organisation selected by the Lead Manager to participate in the Broker Firm Offer				
Broker Firm Applicant	An Investor who is an Australia or New Zealand resident client of a Broker and who is offered a firm allocation of New Shares under the Broker Firm Offer				

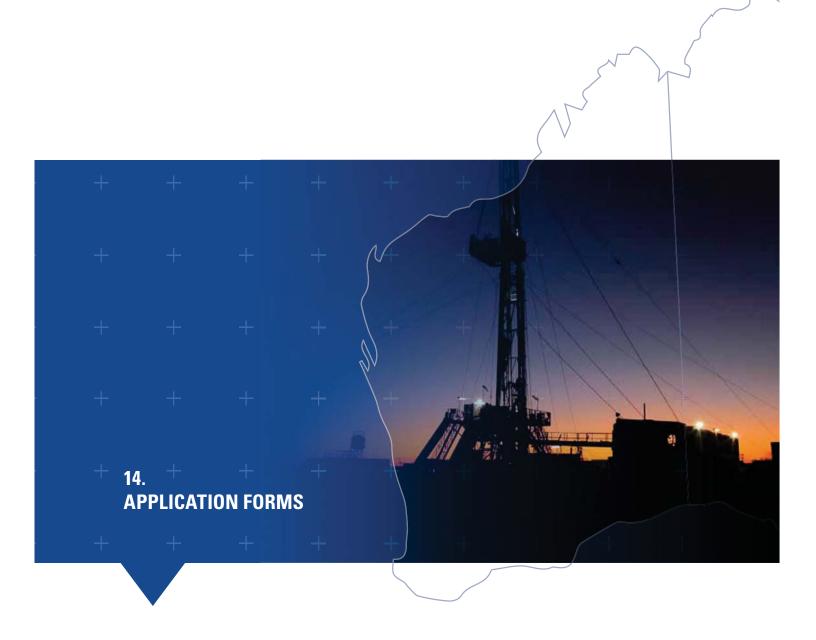
Broker Firm Offer	The invitation under this Prospectus to Australian or New Zealand resident retail clients of Brokers who have received a firm allocation from their Broker to apply for New Shares, as described in Section 5.11			
Broker Firm Offer Closing Date	17 September 2014 or such other date as determined by the Board			
CHESS	Clearing House Electronic Sub-registry System operated by ASX			
Cleansing Notice	A notice issued by the Company in accordance with Section 708A(5)(e) of the Corporations Act, pursuant to and in compliance with Section 708A(6) of the Corporations Act			
Closing Date	The date on which the Offer closes, being 17 September 2014 (or such other date as determined by the Board) and includes a reference to the Broker Firm Offer Closing Date, and Institutional Offer Closing Date as the context requires			
Company or UIL Energy	UIL Energy Limited – ACN 153 352 160			
Company's Permits or UIL Energy' Permits	Means as set out in Section 1.2			
Condensate	Propanes, butanes, pentanes and heavier products which can be extracted from some gas flow streams			
Constitution	Constitution of the Company			
Consultant Options Options issued to consultants of the Company on the terms described in Section 12.2				
Contingent Resources Those quantities of petroleum estimated, as of a given date, to be potentially recover known accumulations by application of development projects but which are not curre considered to be commercially recoverable due to one or more contingencies				
Corporate Governance Charter	The corporate governance charter adopted by the Company as described in Section 6.9			
Corporations Act	Corporations Act 2001 (Cth)			
Directors	The Directors of the Company			
Director Options	Options issued to Directors on the terms described in Section 12.2			
DMP	Western Australian Government Department of Mines & Petroleum			
EP	Exploration Permit			
EPA	Exploration Permit Application			
Escrowed Shareholders	Those persons listed in Section 5.19 of this Prospectus whose Shares must be held in escrow pursuant to the relevant Restriction Agreement			
ESOP	Employee Share Option Plan			
Existing Investors	All holders of securities in the Company at the date of this Prospectus			
Exposure Period	The seven (7) day period from the date of lodgement of the Prospectus dated 19 August 2014 or as otherwise extended by ASIC			

FATA	Foreign Acquisitions and Takeovers Act 1975 (Cth)			
Full Report on Permits	The independent solicitor's report on permits prepared by HopgoodGanim Lawyers as lodged with ASIC			
General Public Offer	The invitation under this Prospectus to apply for New Shares made to Retail Investors who are not Broker Firm Applicants			
Group	The Company and each of its subsidiaries			
High Estimate	With respect to resource categorization, this is considered to be an optimistic estimate of the quantity that will actually be recovered from an accumulation by a project. If probabilistic methods are used, there should be at least 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate			
НРА	Heritage Protection Agreement			
Hydrocarbon	A naturally occurring organic compound comprising hydrogen and carbon. Hydrocarbons can be as simple as methane (CH4), though many are highly complex molecules, and can occur as gasses, liquids or solids			
Independent Geologist's Report	The independent expert's report prepared by McDaniel & Associates Consultants Ltd in Section 8			
Independent Solicitor's Report	The independent solicitor's report on permits prepared by HopgoodGanim in Section 9which is a summary of the Full Report on Permits			
Institutional Investors	Investors who are not in the United States and who are:			
	+ persons in Australia who are wholesale clients under Section 761G of the Corporations Act and either sophisticated investors or professional investors under Section 708(8) or 708(11) of the Corporations Act or to whom offers or invitations in respect of New Shares can be made without disclosure under the Corporations Act;			
	+ institutional investors in certain other jurisdictions, as agreed by the Company and the Lead Manager to whom offers of New Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency			
Institutional Offer	The invitation to Institutional Investors in Australia and other selected jurisdictions other than the United States made pursuant to this Prospectus as described in Section 5.12			
Institutional Offer Closing Date	17 September 2014 or such other date as determined by the Board			
Lead Manager	Bell Potter Securities Limited			
km	kilometre			
km²	Square kilometre			
Listing	Official quotation of Shares on the ASX			
Listing Rules	The official listing rules of ASX			
LNG	Liquefied Natural Gas – natural gas cooled to –162°C to its liquid form for effective transportation			

Low/Best/High Estimates	The range of uncertainty reflects a reasonable range of estimated potentially recoverable volumes of varying degrees of uncertainty (using the cumulative scenario approach) for an individual accumulation or a project					
Low Estimate	With respect to resource categorization, this is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation by a project. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate					
Loyalty Options	Options issued on the terms described in Section 12.2 to Seed Capital Investors					
LSE	London Stock Exchange					
Maximum Subscription	30,000,000 Shares, representing approximately \$6 million of Application Monies					
Minimum Subscription	21,000,000 Shares, representing approximately \$4.2 million of Application Monies					
MMCF	Million cubic feet					
Native Title Act	Native Title Act 1993 (Cth)					
New Shares	Between 21,000,000 and 30,000,000 New Shares offered under this Prospectus					
NZCO	The Registrar of Companies established under the New Zealand Companies Act 1993					
NZSC	The New Zealand Securities Commission as defined in the Securities Act 1978 of New Zealand					
Offer	The offer under this Prospectus of New Shares for issue by UIL Energy					
Offer Documents	The documents issued or published by or on behalf of the Company in respect of the Offer, including this Prospectus, any application forms, any investor presentations in connection with the Offer and any supplementary prospectus					
Offer Price	\$0.20 per New Share					
Official List	The Official List of ASX					
Official Quotation	Quotation on the Official List of ASX					
Opening Date	2 September 2014					
Option holder(s)	The holder of an Option					
Options	Options to subscribe for Shares in the Company					
New Options	Means between 10,500,000 and 15,000,000 Options issued under this Prospectus on the terms set out in Section 12.2					
РАНА	Petroleum Access and Heritage Agreement					
Performance Rights	A right to acquire a Share in the Company in accordance with the terms of the Performance Rights Plan					
Performance Rights Plan	The UIL Energy Ltd Performance Rights Plan adopted by the Board					
Permit(s)	Means EP(s), EPA(s), SPA(s) and/or SPAA(s)					
Piggy-Back Options	An Option issued upon valid exercise of a New Option, on the terms set out in Section 12.3					

Pre-Offer Shares	Means 71,026,806 shares on issue prior to the Offer			
Proposed Work Program	The Company's 15 month work program as described in Sections 1.6, 2.5 and 2.6			
Prospective Resource	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations			
Prospectus	This document (including the electronic form of this Prospectus and any supplementary or replacement Prospectus in relation to this document)			
Registry	Link Market Services Limited – ACN 083 214 537			
Restriction Agreements The agreements to be entered into by the Escrowed Shareholders and the Company under whith the Escrowed Shareholders agree not to sell, transfer or otherwise dispose of any Shares held by them in the period from the Listing Date until their respective restriction end date, as description in Section 5.19 of this Prospectus				
Retail Investors	An Investor who is not an Institutional Investor and who is resident in Australia or New Zealand and includes Broker Firm Applicants			
Seed Capital Investor	An investor who subscribed for Shares in UIL Energy prior to this Prospectus			
Share(s) Fully paid ordinary share(s) in the capital of UIL Energy				
Shareholder(s)	The holder of a Share			
Shale Gas	Natural gas that is trapped within shale formations			
SPA	Special Prospecting Authority			
SPAA	Special Prospecting Authority Application			
Total Organic Carbon, being the amount of carbon bound in an organic compound. It is a most the richness of a source rock.				
TSX	Toronto Stock Exchange			
TSX-V	TSX Venture Exchange			
Wet gas	Gas flows that contain condensate			

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Public Offer Application Form

This is an Application Form for Shares in UIL Energy Limited under the Public Offer on the terms set out in the Prospectus dated 19 August 2014. You may apply for a minimum of 10,000 Shares and multiples of 500 thereafter. This Application Form and your cheque or bank draft must be received by 5:00pm (AEST) on 17 September 2014.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

	i rospectus carero	any before applying for	Onarcs.								
	Shares applied for		F	Price per Share			Application Mor	ies			
Α			at	A\$0.20	В	A\$					
	(minimum 10,000, t	hereafter in multiples of	500)		_	+					
^	PLEASE COMPLE Applicant #1 Surname/Company	TE YOUR DETAILS BEI	_OW (refer	overleaf for correc	et forms of registr	able r	names)				+
C											
	Title Fir	st Name			Middle Name						
	Joint Applicant #2 Surname										
	Title Fir	st Name			Middle Name						
	Designated accoun	t e.g. <super fund=""> (or c</super>	Joint Applic	cant #3)							
	TFN/ABN/Exemption	n Code		Joint Applicant #2			Joint Applica	ant #3			
D											
	TFN/ABN type – if l	NOT an individual, pleas	e mark the	appropriate box	Company		Partnership	Trust		Super Fu	nd
		TE ADDRESS DETAILS ed Bag/Care of (c/-)/Prop		/Ruilding name (if	annlicable)						
Ε	FO BOX/RIVIB/LOCK	ed Bag/Care or (c/-)/Frop	erty flame	/Building name (ii a	арріїсавіе)						
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	Offit Number/Level	Street Number	Street	vaille							
	Suburb/City or Tow	n					State		Post	code	
							Ciaio		1 001	3000	
	Email address (only	for purpose of electroni	c communi	cation of sharehold	der information)						
	CHESS HIN (if you	want to add this holding	to a specif	ic CHESS holder	write the number	here)					
F	X	want to add this holding	to a specif	ic of iEoo floider,	write the number	norc)				4	-
•	Please note: that if with the registration	you supply a CHESS HI n details held at CHESS of the Offer will be held o	, your App	lication will be dee	emed to be made						
				•	-	(DD II	· - ·				
_	Telephone Number	where you can be contact	ea auring E	Business Hours	Contact Name	(PRIN	11)				Ī
G											
	Cheques or bank d	rafts should be made pag	yable to " U	IIL Energy Limited	d" in Australian o	urren	cy and crossed '	Not Nego	tiable"		
LI	Cheque or Bank Dr	aft Number	BSI	В		Acco	ount Number				
Н				-							

Total Amount



You must return your application so it is received before 5:00pm (AEST) on 17 September 2014 to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.



Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are UIL Energy Limited ("UIL Energy") Shares. Further details about the shares are contained in the Prospectus dated 19 August 2014 issued by UIL Energy. The Prospectus will expire on 19 September 2015. While the Prospectus is current, UIL Energy will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 500. You may be issued all of the Shares applied for or a lesser number.
- B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, UIL Energy will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E Please enter your postal address for all correspondence. All communications to you from UIL Energy and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to UIL Energy's issuer sponsored subregister.
- G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
 - Make your cheque or bank draft payable to "UIL Energy Limited" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEST) on 17 September 2014 at:

Mailing Address
UIL Energy Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery
UIL Energy Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <alessandra a="" c="" smith=""></alessandra>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <est a="" c="" harold="" post=""></est>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <henry hamilton=""></henry>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <fred &="" a="" c="" smith="" son=""></fred>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <vintage a="" c="" club="" wine=""></vintage>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <super a="" c="" fund=""></super>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



Broker Firm Offer Application Form

This is an Application Form for Shares in UIL Energy Limited under the Broker Offer on the terms set out in the Prospectus dated 19 August 2014. You may apply for a minimum of 10,000 Shares and multiples of 500 thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

	Shares applied fo	•	Pr	ice per Share				Application Mo	nies		
Α			at	A\$0.20		В	A\$				
	(minimum 10,000,	thereafter in multiples of 50	0)								
	PLEASE COMPL Applicant #1 Surname/Compar	ETE YOUR DETAILS BELC ny Name)W (refer o	verleaf for correc	t forms of re	gistr	able r	ames)			
C											
	Title F	irst Name			Middle Na	ame					
	Joint Applicant #2 Surname										
	Title F	irst Name			Middle Na	ame					
	Designated accou	nt e.g. <super fund=""> (or Jo</super>	int Applica	nt #3)							
	TFN/ABN/Exempt First Applicant	ion Code	J	oint Applicant #2				Joint Applic	ant #3		
D											
E	PLEASE COMPL	f NOT an individual, please ETE ADDRESS DETAILS ked Bag/Care of (c/-)/Prope			Compa	any		Partnership	Trust	S	uper Fund
	Unit Number/Leve	I Street Number	Street Na	ame							
	Suburb/City or To	wn						State		Postcod	le
								Otato		1 001000	
	Email address (on	ly for purpose of electronic	communic	ation of sharehold	er information	on)					
F	CHESS HIN (if yo	u want to add this holding to	a specific	: CHESS holder, v	rite the num	nber	here)				
	Please note: that registration detail.	if you supply a CHESS HIN s held at CHESS, your Appl eld on the issuer sponsored	ication will	be deemed to be	details on yo made witho	our A out th	Applica ne CHI	ation Form do r ESS HIN and a	not correspo ny Shares i	ond exact ssued as	tly with the a result of
	Telephone Numbe	r where you can be contacted	d during Bu	siness Hours	Contact Na	ame	(PRIN	IT)			
G											
	Cheques or bank	drafts should be drawn up a	ccording t	o the instructions	given by you	ur Br	oker.				
Н	Cheque or Bank [Oraft Number	I	BSB -				Account Nu	ımber		
				т	otal Amoun	nt	Δ\$				

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are UIL Energy Limited ("UIL Energy") Shares. Further details about the Shares are contained in the Prospectus dated 19 August 2014 issued by UIL Energy. The Prospectus will expire on 19 September 2015. While the Prospectus is current, UIL Energy will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A Insert the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares and thereafter in multiples of 500. You may be issued all of the Shares applied for or a lesser number.
- B Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, UIL Energy will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

- E Please enter your postal address for all correspondence. All communications to you from UIL Energy and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to UIL Energy's issuer sponsored subregister.
- G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
 - If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <alessandra a="" c="" smith=""></alessandra>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <est a="" c="" harold="" post=""></est>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <henry hamilton=""></henry>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <fred &="" a="" c="" smith="" son=""></fred>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <vintage a="" c="" club="" wine=""></vintage>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <super a="" c="" fund=""></super>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.



DIRECTORS

Simon Hickey (Chairman) John de Stefani (Managing Director) Keith Skipper (Non-executive Director) Stephen Bizzell (Non-executive Director)

CFO AND COMPANY SECRETARIES

Duncan Cornish (CFO and Co-Company Secretary) Drew Speedy (Financial Controller and Co-Company Secretary)

REGISTERED AND BUSINESS OFFICE

UIL ENERGY LTD

Level 8, 410 Queen St, Brisbane Qld 4000 GPO Box 3284, Brisbane Qld 4001

Phone: +61 7 3007 9600 +61 7 3007 9699 Fax:

Website: www.uilenergy.com.au Email: info@uilenergy.com

CORPORATE ADVISOR

BIZZELL CAPITAL PARTNERS PTY LTD

Level 9 Waterfront Place

1 Eagle Street, Brisbane, QLD 4000

+61 7 3212 9200 Phone: Fax: +61 7 3212 9201

Website: www.bizzellcapital.com admin@bizzellcapital.com Email:

SOLICITORS TO THE OFFER:

HOPGOODGANIM

Level 8 Waterfront Place 1 Eagle Street, Brisbane, QLD 4000

Phone: +61 7 3024 0000 Fax: +61 7 3024 0300

Web: www.hopgoodganim.com.au Email: contactus@hopgoodganim.com.au

LEAD MANAGER

BELL POTTER SECURITIES LIMITED

Level 38. Aurora Place 88 Phillip Street, Sydney NSW 2000

Phone: 1800 804 816 Fax: +61 2 9231 0588

Website: www.bellpotter.com.au Email: info@bellpotter.com.au

INDEPENDENT GEOLOGIST

MCDANIEL & ASSOCIATES CONSULTANTS LTD

2200, Bow Valley Square 3, 255 - 5 Avenue SW, Calgary AB T2P 3G6

Phone: 0011 1 403 262 5506 0011 1 403 233 2744 Fax: Website: www.mcdan.com mcdaniel@mcdan.com Email:

INDEPENDENT ACCOUNTANT AND AUDITOR

BDO AUDIT PTY LTD

Level 10, 12 Creek St Brisbane QLD 4000

Phone: +61 7 3237 5999 Fax: +61 7 3221 9227 Website: www.bdo.com.au

Fmail: info.brisbane@bdo.com.au

SHARE REGISTRY

LINK MARKET SERVICES LIMITED

Level 15, ANZ Building 324 Queen Street, Brisbane QLD 4000

Phone: 1300 554 474 Fax: +61 2 8280 7454

Website: www.linkmarketservices.com.au Email: info@linkmarketservices.com.au



