

UIL ENERGY LTD

FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2012

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Directors' Report

The Directors of UIL Energy Ltd present their report together with the financial statements of the consolidated entity consisting of UIL Energy Ltd ('the Company') and its controlled entities ('the Group') at the end of, or during, the year ended 30 June 2012 and the Independent Audit Report thereon.

DIRECTORS

The following persons were directors of UIL Energy Ltd during the financial year since incorporation and up to the date of this report, unless otherwise stated:

Simon Hickey

B.Com, Gad Dip Applied Finance & Investment

Non Executive Chairman (appointed 21 September 2011)

Simon Hickey is the founder and Chairman of UIL Energy.

He has 20 years experience in the resources industry and has been a director of several ASX and TSX listed companies. Simon is currently on the board of Macarthur Minerals Ltd. In addition to his experience with public companies, Simon 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

B.Bus, MBA

Chief Executive Officer and Director, (appointed as a Director, 11 Jan 2012)

John de Stefani was appointed Chief Executive Officer of UIL Energy in April 2012.

Prior to joining UIL Energy, Mr de Stefani was CEO of Bow Energy Ltd during market cap growth phase of \$50m to \$550m 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.

Keith Skipper

B.Sc Hons (Geology), M.Sc (Geology)

Non Executive Director (appointed 4 November 2011)

Keith Skipper is a geologist, company executive and corporate non-executive director with over 35 years of diverse 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).

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 companies Samson Oil and Gas Limited and Rawson Resources Limited. Mr Skipper advises and consults to various academic, financial and corporate entities on oil and gas exploration, including coal seam gas ("CSG") and shale resource projects.

Sue McKeen (appointed 21 September 2011 and retired 8 February 2012)

SECRETARY

Ron Wilson

B.Com (Hons)

(Company Secretary & CFO) (appointed Company Secretary 1 May 2012)

Mr Wilson has extensive experience in financial management, corporate governance and regulatory compliance in private, public and government organisations coupled with varied and international business experience. Prior to joining UIL Energy Ltd Ron was consulting to businesses on corporate governance systems and practices including regulatory compliance, contract management and company secretarial practices. Prior to that for three years Ron held the role of Chief Corporate Officer and Company Secretary with WaterSecure an organisation controlled by the Queensland government with water supply infrastructure assets valued at more than \$3 billion. From 1997 to 2007 Ron was the CFO, Company Secretary and GM Corporate Services for Golden Casket Lottery Corporation Limited a public company responsible for lottery operations throughout Queensland and other commercial gaming activities. At the time Golden Casket was a business with almost \$1 billion in turnover and over 200 staff and 1,000 retail agents.

Ron initially qualified as a Chartered Accountant in Canada and after moving to Australia some years ago has since qualified as a Chartered Accountant in Australia. Ron is also a Fellow of the Australian Institute of Company Directors.

INCORPORATION

UIL Energy Australia Pty Ltd was incorporated on 21 September 2011. On 27 April 2012 UIL Energy Australia Pty Ltd became a public company and was renamed UIL Energy Ltd. Accordingly the figures in the financial statements cover the period from incorporation on 21 September 2011 to 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the financial period were oil and gas exploration. There were no significant changes in the nature of the consolidated entity's principal activities during the financial period.

REVIEW OF OPERATIONS

UIL Energy Ltd (UIL Energy) is an unlisted public company primarily focused on oil and gas exploration and production (E&P) in Western Australia (WA) with a combination of both conventional and unconventional plays.

UIL Energy has proven prescient in accessing onshore acreage in the sought-after Perth, Carnarvon and Canning Basins, making it one of the only companies with such a diversified portfolio in the region's main shale plays. Each asset also contains conventional potential.

Importantly, initial exploration and appraisal will focus on Perth and Carnarvon projects both of which are close to existing infrastructure, enabling faster, cheaper development options than competitors. In addition, the Canning Basin project areas provide diversity and enable continual drilling programs, despite local seasonal downtimes.

With over 16,000 net km² already secured, UIL Energy is targeting multi Tcf and billion barrel plays that can be sold to undersupplied domestic users and through existing and planned LNG export facilities.

UIL Energy has recruited a high calibre team led by John de Stefani as CEO along with Vic Palanyk, COO and Ron Wilson, CFO. The UIL team has extensive conventional and unconventional oil and gas knowledge and experience, equipped to drive the business as it expands.

During the year UIL Energy successfully raised over \$3 million primarily to fund seismic activity on one of its Perth basin tenements.

Perth Basin

UIL Energy's 2,050 net km² of Perth Basin acreage overlies the two main gas pipelines supplying 77% of WA's domestic gas usage and a major highway, making it one of the best unconventional areas in the country for swift development.

Companies just to the north and northeast have completed several unconventional wells in other formations, with promising early results.

Initial evaluation by UIL Energy of available seismic and well data from the conventional Walyering gas field in the acreage shows that over-pressured rocks of the Jurassic coal measures below and adjacent to the field occur in the wet gas window. The target zone is expected to be over 500 metres thick over 500 km² resulting in large-scale wet gas potential.

A native title agreement is in place for around half the acreage, with expectations of finalising native title agreements on the remainder in mid-2013, enabling exploration and appraisal work to commence shortly thereafter.

Carnarvon Basin

UIL Energy holds approximately 900 net km² of the small onshore expression of the Carnarvon Basin. This is Australia's most prolific hydrocarbon basin, which already produces 1 Tcf of gas, 400 million barrels of oil and 80 million barrels of condensate per annum.

UIL Energy and its partner are exclusively positioned to target wet gas and oil from the Dingo Claystone, which is up to 3,500 metres thick and is the main known source rock for the offshore production. It is thought to have sourced 8 billion barrels of oil across the basin, of which 10% has been discovered.

34 wells were drilled in UIL Energy's acreage since the 1950s and there is substantial seismic control data. Only around 12 penetrated the Dingo Claystone, but verify the "live" hydrocarbon system.

UIL Energy's planned wells will test this formation, plus stacked conventional targets up hole. Other shale zones also hold potential.

The region's main pipeline runs approximately 100 km from the acreage and a sealed all-weather road runs through the acreage.

Canning Basin

UIL Energy was able to secure over 13,000 net km², including some of the only acreage close to existing and planned pipelines. This allows easier access to the domestic market and proposed James Price Point LNG facility which is the only site available for LNG projects in the region.

REVIEW OF FINANCIAL RESULTS

The net result of operations after applicable income tax expense for the consolidated entity for the period ended 30 June 2012 was a loss of \$979,114.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the year, the following significant changes occurred within the Group:

- UIL Energy Australia Pty Ltd entered into a Deed of Assignment with Jaldale Pty Ltd on 10 October 2011 for farm-in agreements in relation to EP-359 & EP-447. Consideration paid for the assets was 17,000,000 new fully paid ordinary shares at \$0.05 in the Company (\$850,000 total consideration).
- During the financial year the Company issued the following share capital:
 - On 10 October 2011 the Company issued 17,000,000 new ordinary shares paid up to \$0.05 to Jaldale Pty Ltd as consideration for assignment of Farm-in agreements as detailed above.
 - On 20 October 2011 the Company issued 1,542,980 new ordinary shares paid up to \$0.05 in lieu of cash for consultancy services provided to the Company.
 - On 18 November 2011 the Company issued 1,000,000 new ordinary shares paid up to \$0.05 pursuant to a share placement to a sophisticated investor.
 - On 11 January 2012 the Company issued 1,000,000 new ordinary shares paid up to \$0.05 pursuant to a share placement to a sophisticated investor.
 - On 5 March 2012 the Company issued 4,000,000 new ordinary shares paid up to \$0.05 pursuant to a share placement to sophisticated investors.
 - On 1 May 2012 the Company issued 20,321,824 new ordinary shares paid up to \$0.125 pursuant to a share placement to sophisticated investors.
 - On 20 June 2012 the Company issued 316,176 new ordinary shares paid up to \$0.125 pursuant to a share placement to sophisticated investors.

DIVIDENDS PAID OR RECOMMENDED

There were no dividends paid or recommended during the financial year.

AFTER BALANCE DATE EVENTS

On 10 July 2012 the Company received confirmation from the Government of Western Australia, Department of Mines and Petroleum that it had been granted SPA - 0040. The SPA area consists of 156 blocks and covers the Samphire Graben and the Walukarlycarly Embayments and adjacent areas on the southwestern margin of the Canning Basin and adjacent to the northeastern margin of the Pilbara Craton.

Subsequent to 30 June 2012 the Company issued the following share capital:

- On 8 August 2012 the Company issued 720,000 new ordinary shares paid up to \$0.125 pursuant to a share placement to a sophisticated investor.
- On 18 September 2012 the Company issued 1,440,000 new ordinary shares paid up to \$0.125 pursuant to a share placement to sophisticated investors.

There have been no other events since 30 June 2012 that impact upon the financial report as at 30 June 2012.

FUTURE DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company continues to identify and evaluate oil and gas exploration and evaluation opportunities that are perceived to offer outstanding value. As the consolidated entity's areas of interest are at an early stage of exploration, it is not possible to speculate likely developments from any of these exploration activities.

There are no developments of which the Directors are aware which could be expected to affect the results of the consolidated entity's operations in subsequent financial years other than information which the Directors believe comment on, or disclosure of, would prejudice the interests of the consolidated entity.

ENVIRONMENTAL ISSUES

The consolidated entity is subject to environmental regulation in relation to its exploration activities. There are no matters that have arisen in relation to environmental issues up to the date of this report.

DIRECTORS' MEETINGS

The number of meetings of Directors held during the year and the number of meetings attended by each Director was as follows:

Directors:	Directors' Meetings	
	Eligible to Attend	Attended
Simon Hickey	2	2
John de Stefani	2	2
Keith Skipper	2	2
Sue McKeen ⁽¹⁾	-	-

(1) Sue McKeen retired as Director 8 February 2012

UNISSUED SHARES UNDER OPTION

As at the date of this report there were 10,250,000 unissued ordinary shares of UIL Energy Ltd under option as follows:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number of Options
11/01/2012	31/12/2012	30/06/2017	\$0.05	1,000,000
11/01/2012	30/06/2012	31/12/2012	\$0.05	2,000,000
10/02/2012	10/02/2012	31/12/2012	\$0.05	500,000
10/02/2012	10/02/2012	3/01/2017	\$0.05	250,000
5/03/2012	5/03/2012	3/01/2017	\$0.125	500,000
5/03/2012	5/03/2012	3/03/2017	\$0.125	250,000
5/03/2012	31/12/2012	21/11/2016	\$0.125	250,000
17/04/2012	17/04/2012	31/12/2015	\$0.25	3,000,000
17/04/2012	17/04/2012	31/12/2015	\$0.25	2,000,000
17/04/2012	17/04/2012	31/12/2015	\$0.25	500,000
Total				10,250,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

During the financial year ended 30 June 2012, no ordinary shares of the Company were issued as a result of the exercise of an option over unissued shares.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

Each of the Directors of the Company have entered into a Deed with the Company whereby the Company has indemnified and provided certain contractual rights of access to books and records of the Company to those Directors.

The Company has insured all of the Directors of UIL Energy Ltd. The contract of insurance prohibits the disclosure of the nature of the liabilities covered and amount of the premium paid. The Corporations Act does not require disclosure of the information in these circumstances.

The Company has not indemnified or insured its auditor.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 9 of this financial report and forms part of this Directors' Report.

This report is signed in accordance with a resolution of the Board of Directors.



Simon Hickey
Chairman

Brisbane
23 October 2012

DECLARATION OF INDEPENDENCE BY DAMIAN WRIGHT TO THE DIRECTORS OF UIL ENERGY LIMITED

As lead auditor of UIL Energy Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of UIL Energy Limited and the entities it controlled during the period.



D P WRIGHT
Director

BDO Audit Pty Ltd

Brisbane, 23 October 2012

Interests in Petroleum Tenements

UIL Energy Ltd held the following interests in mining and exploration tenements as at 23 October 2012.

Western Australia Tenements

Tenure Type, Name and Number	Operator	% Interest of UIL	Notes
EP 447	UIL Energy Ltd	Up to 75%	Farm-in to earn up to 75%
EP 359	UIL Energy Ltd	Up to 75%	Farm-in to earn up to 75%
SPA 22	Cape Range Energy Pty Ltd	100%	SPA Application successful 20/04/2012 (a)
SPA 26	UIL Energy Ltd	100%	SPA Application successful 23/02/2012 (a)
SPA 40	UIL Energy Ltd	100%	SPA Application successful 10/07/2012 (a)
EPA 61	UIL Energy Ltd	100%	Petroleum Exploration Permit successful 26/06/2012 (b)
EPA 62	UIL Energy Ltd	100%	Petroleum Exploration Permit successful 26/06/2012 (b)
EPA 63	UIL Energy Ltd	100%	Petroleum Exploration Permit successful 26/06/2012 (b)

- (a) The Petroleum Special Prospecting Authority (SPA) areas are subject to referral to the future act provisions of the Commonwealth Native Title Act and these requirements must be complied with before the SPA can be granted. The purpose of a Special Prospecting Authority (SPA) with acreage option is to grant access to the applicant to conduct a geophysical and geochemical surveys (or other operational activities other than the drilling of a well) to identify areas which have the potential for further exploration. The applicant may then exercise the acreage option by making an application for an Exploration Permit (EP) in respect of the block or those blocks identified as prospective.
- (b) The application areas are subject to Native Title Claim(s) and accordingly the provisions of the Commonwealth Native Title Act must be complied with before the applications can be granted.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2012

	Note	Consolidated Entity 2012 \$
Revenue	2	13,710
Consultants fees		(260,031)
Legal fees		(65,523)
Travel costs		(47,418)
Employee benefits expense		(29,664)
Accounting fees		(17,905)
Options expense		(545,408)
Other expenses		(26,875)
Profit/(loss) before income tax expense		(979,114)
Income tax expense	3	-
Net profit/(loss) for the year		(979,114)
Other comprehensive income/(loss)		-
Total comprehensive income/(loss) for the year		(979,114)
Earnings/(loss) per share attributable to owners of UIL Energy Ltd		
		Cents
Basic earnings/(loss) per share (cents per share)	11	(4.0)
Diluted earnings/(loss) per share (cents per share)	11	(4.0)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012

	Note	Consolidated Entity 2012 \$
Current Assets		
Cash and cash equivalents	4	2,263,483
Trade and other receivables	5	44,036
Total Current Assets		2,307,519
Non-Current Assets		
Exploration and evaluation assets	6	1,219,815
Total Non-Current Assets		1,219,815
TOTAL ASSETS		3,527,335
Current Liabilities		
Trade and other payables	7	263,925
Total Current Liabilities		263,925
TOTAL LIABILITIES		263,925
NET ASSETS		3,263,409
Equity		
Issued capital	8	3,697,115
Reserves	9	545,408
Retained profits	10	(979,114)
TOTAL EQUITY		3,263,409

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2012

	Issued Capital	Retained Profits	Option Reserve	Total
	\$	\$	\$	\$
Total comprehensive income for the financial year				
Profit/(loss) for the year	-	(979,114)	-	(979,114)
	-	(979,114)	-	(979,114)
Transactions with owners in their capacity as owners				
Issue of share capital	3,806,900	-	-	3,806,900
Costs associated with issue of share capital	(109,785)	-	-	(109,785)
Issue of options	-	-	545,408	545,408
	3,697,115	-	545,408	3,263,409
At 30 June 2012	3,697,115	(979,114)	545,408	3,263,409

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2012

	Note	Consolidated Entity 2012 \$
Cash Flows from Operating Activities		
Receipts from operations (including refunds of GST)		23,630
Payments to suppliers and employees		(363,361)
Interest received		9,357
Net cash used in operating activities		(330,373)
Cash Flows from Investing Activities		
Payments for exploration and evaluation		(363,044)
Net cash used in investing activities		(363,044)
Cash Flows from Financing Activities		
Proceeds from issue of shares		2,956,900
Capital raising expenses		-
Net cash provided by financing activities		2,956,900
Net increase in cash held		2,263,483
Cash at the beginning of the financial year		-
Cash at the end of the financial year	4	2,263,483

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of UIL Energy Ltd for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 23 October 2012 and covers the consolidated entity consisting of UIL Energy Ltd and its subsidiaries as required by the Corporations Act 2001.

The financial statements are presented in the Australian currency.

UIL Energy Ltd is a company limited by shares, incorporated and domiciled in Australia.

The financial statements cover the period from incorporation on 21 September 2011 to 30 June 2012.

Basis of preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards (IFRS). Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The entity is a for-profit entity for the purposes of Australian Accounting Standards.

Going Concern

The financial statements have 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 ability of the consolidated entity to maintain continuity of normal business activities, to pay its debts as and when they fall due and to recover the carrying value of the capitalised exploration and evaluation expenditure, is dependent on the ability of the consolidated entity to successfully raise additional capital and the successful exploration and subsequent exploitation of areas of interest through sale, farm-out or development.

Over the past few months the CEO and other directors have actively engaged with prospective investors. At the present time the Company is in discussions with financiers and prospective investors to raise substantial capital in the Company. The Company is planning a potential Initial Public Offering in 2013.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by UIL Energy Ltd at the end of the reporting period. A controlled entity is any entity over which UIL Energy Ltd has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all balances and transactions between entities in the consolidated entity have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Principles of Consolidation (continued)

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

(b) Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. The following specific recognition criteria must also be met before revenue is recognised:

Interest

Revenue is recognised as interest accrues using the effective interest method.

(c) Income Tax

The income tax expense for the period is the tax payable on the current period's taxable income based on the national 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.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associates and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances relating to amounts recognised directly in other comprehensive income are also recognised directly in other comprehensive income.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment of Assets

At the end of each reporting period the consolidated entity assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate recoverable amount for an individual asset, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the weighted average basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

(g) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- a. the amount at which the financial asset or financial liability is measured at initial recognition;
- b. less principal repayments;
- c. plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- d. less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

The consolidated entity does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments. Classification and subsequent measurement categories are as follows:

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the consolidated entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the consolidated entity sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are measured at fair value and are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

UIL Energy Limited and controlled entities designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the consolidated entity's risk management objective and strategy for undertaking various hedge transactions is documented.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial Instruments (continued)

Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items, are also documented.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item will affect profit or loss.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all other financial assets and liabilities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in profit or loss.

Financial guarantees

Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, Plant and Equipment

Property, plant and equipment are measured on the cost basis less, where applicable, depreciation and impairment losses.

The cost of fixed assets constructed within the consolidated entity includes the cost of materials, direct labour, borrowing costs and an appropriate portion of fixed and variable costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated over their useful life to the consolidated entity commencing from the time the asset is held ready for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. The gains and losses are included in the profit or loss.

Costs of site restoration are provided over the life of the asset from when construction is completed and are included in the costs of that stage. Site restoration costs include the dismantling and removal of assets, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of environmental authority. Future estimated costs are recognised at the present value of those future costs. The discount rate used to determine the present value reflects current market assessments of the time value of money and risks specific to the liability.

(i) Exploration and development expenditure

Exploration, evaluation and development 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. 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.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structure, waste removal, and rehabilitation of the site in accordance with clauses of mining permits. Future estimated costs are recognised at the present value of those future costs. The discount rate used to determine the present value reflects current market assessments of the time value of money and risks specific to the liability.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Interests in joint ventures

The consolidated entity's share of the assets, liabilities, revenue and expenses of joint venture assets are included in the appropriate items of the consolidated financial statements. Details of the consolidated entity's interests are shown in Note 14.

(k) Leases

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

(l) Trade and Other Payables

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the year end and which are unpaid. These amounts are unsecured and have 30-60 day payment terms.

(m) Employee Benefits

Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the end of the reporting period are recognised in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when leave is taken and measured at the actual rates paid or payable.

(n) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure (as adjusted for risk) required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money. The increase in the provision due to the passage of time is recognised as interest expense.

The consolidated entity is required to restore land and the surrounding environment to its original condition at the end of the respective lease terms. For close down restoration and for environmental clean up costs, provision is made in the accounting period when the related disturbance occurs, based on the net present value of estimated future costs.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss in each accounting period.

(o) 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.

(p) Share-Based Payments

The consolidated entity provides benefits to certain employees and consultants in the form of share-based payment transactions, whereby employees render services in exchange for shares or options over shares ("equity-settled transactions").

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share-Based Payments (continued)

The fair value of options granted to employees and consultants are recognised as an employee benefit expense with a corresponding increase in equity (option reserve). The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options. Fair value is determined by using a Black-Scholes option pricing model. In determining fair value, no account is taken of any performance conditions other than those related to the share price of UIL Energy Ltd ("market conditions"). The cumulative expense recognised between grant date and vesting date is adjusted to reflect the directors' best estimate of the number of options that will ultimately vest because of internal conditions of the options, such as the employees having to remain with the consolidated entity until vesting date, or such that employees are required to meet internal targets. No expense is recognised for options that do not ultimately vest because internal conditions were not met. An expense is still recognised for options that do not ultimately vest because a market condition was not met.

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

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

(q) Earnings per Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of UIL Energy Ltd by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares during the year.

Diluted earnings per share

Earnings used to calculate diluted earnings per share are calculated by adjusting the amount used in determining basic earnings per share by the after-tax effect of dividends and interest associated with dilutive potential ordinary shares. The weighted average number of shares used is adjusted for the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(r) 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.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(s) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Consolidated entity has decided against early adoption of these standards. A list of those future requirements and their impact on the consolidated entity follows:

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) New Accounting Standards for Application in Future Periods (continued)

Title	Issue Date	Effective Date
AASB 9: Financial Instruments	December 2009	1 January 2015
AASB 10: Consolidated Financial Statements	August 2011	1 January 2013
AASB 11: Joint Arrangements	August 2011	1 January 2013
AASB 12: Disclosure of Interests in Other Entities	August 2011	1 January 2013
AASB 13: Fair Value Measurement	September 2011	1 January 2013
AASB 1053: Application of Tiers of Australian Accounting Standards	June 2010	1 July 2013
AASB 2011-4: Amendments to Australian Accounting Standards	July 2011	1 July 2013
- Removal of Individual key Management Personnel Disclosure Requirements		

It is anticipated that the above Standards and Interpretations are either not applicable to the Company or that adoption in future periods will have no material impact on the Company's financial report, with the possible exception of AASB 11 and AASB 12. AASB 11 may need to be adopted (replacing AASB 131) if any joint venture arrangements are entered into in the future. AASB 12 may require UIL Energy to make additional disclosures in respect of interests in other entities. UIL Energy is currently evaluating the potential impact of these new accounting standards and a closer assessment will be performed prior to the effective dates of these standards.

Other new and amended standards and interpretations are not expected to impact the consolidated entity.

(t) Accounting Estimates and Judgments

Critical accounting estimates and judgements

Details of critical accounting estimates and judgements about the future made by management at the end of the reporting period are set out below:

- (i) *Key estimates – share-based payments*
The consolidated entity uses estimates to determine the fair value of equity instruments issued to directors, executives, employees and consultants. Further detail of estimates used in determining the value of share-based payments is included in Note 18.
- (ii) *Key estimates – impairment*
The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No assets are considered impaired at year end.
- (iii) *Key judgements – exploration & evaluation expenditure*
The consolidated entity 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. While there are certain areas of interest from which no reserves have been extracted, the directors are of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet concluded. Such capitalised expenditure is carried at the end of the reporting period at \$1,219,815.

NOTE 2 REVENUE**Revenue**

- interest from other persons	13,710
Total revenue	13,710

NOTE 3 INCOME TAX EXPENSE**(a) The components of income tax expense comprise:**

Current tax	113,529
Deferred tax	(113,529)
	-

(b) The prima facie income tax on the profit / (loss) is reconciled to the income tax expense as follows:

Prima facie tax payable/(benefit) on profit/(loss) before income tax at 30%	(293,734)
Add tax effect of:	
Share based payments - options	163,622
Tax losses not recognised	243,641
Deferred tax through equity	(32,936)
Deferred tax not recognised	(80,593)
Income tax expense	-

(c) Recognised deferred tax assets and deferred tax liabilities

Deferred tax liabilities	
Exploration and evaluation expenditure	110,945
Other assessable temporary differences	1,305
Total deferred tax liabilities	112,250
Deferred tax assets	
Unused tax losses	80,593
Deductible temporary differences	31,657
Total deferred tax assets	112,250
Net deferred tax liabilities	-

NOTE 3 INCOME TAX EXPENSE (continued)

(d) Movements in deferred tax assets and deferred tax liabilities

	Opening Balance	Charged to income	Charged to equity	Closing balance
	\$	\$	\$	\$
Deferred tax liabilities				
Exploration and evaluation expenditure	-	110,945	-	110,945
Other assessable temporary differences	-	1,305	-	1,306
Balance at 30 June 2012	-	112,250	-	112,250
Deferred tax assets				
Unused tax losses	-	80,593	-	80,593
Deductible temporary differences	-	31,657	-	31,657
Balance at 30 June 2012	-	112,250	-	112,250

	Consolidated Entity 2012 \$
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(e) Unrecognised deferred tax assets

Unused tax losses	543,490
Tax effect of unused tax losses	163,047

There is no expiry date on the future deductibility of unused tax losses.

There are no franking credits available to shareholders of the Company.

In order to recoup carried forward losses in future periods, either the Continuity of Ownership Test (COT) or Same Business Test must be passed. The majority of losses are carried forward at 30 June 2012 under COT.

Consolidated Entity
2012
\$

NOTE 4 CASH AND CASH EQUIVALENTS

Cash on hand and at bank	1,063,483
Cash on deposit	1,200,000
	2,263,483

Cash at bank bear floating and fixed interest rates between 0% and 5.10%. The effective interest rate on short-term bank deposits was 5.09%.

(a) Reconciliation of cash flow from operations with profit/(loss) after income tax

Profit/(loss) after income tax	(979,114)
Non-cash flows in profit after income tax:	
Share options expensed	545,408
Changes in operating assets and liabilities net of the effects of purchase and disposal of subsidiaries:	
- (Increase)/Decrease in trade and term receivables	3,449
- Increase/(Decrease) in trade payables and accruals	99,883
Cash flow from operations	(330,373)

(b) Non-cash investing and financing activities

During the financial year, the Company acquired the rights, entitlements and obligations of two farm-in agreements (EP 359 & 447) from Jaldale Pty Ltd, a company associated with Mr Simon Hickey (Chairman of UIL Energy Ltd). The consideration provided for the assets was 17,000,000 new ordinary shares paid up to \$0.05 (\$850,000).

NOTE 5 TRADE & OTHER RECEIVABLES**Current**

Interest receivable	4,352
GST receivable	39,684
	44,036

Consolidated Entity
2012
\$

NOTE 6 EXPLORATION AND EVALUATION EXPENDITURE

Non-Current

Exploration and evaluation expenditure
capitalised

- exploration and evaluation phases	1,219,815
-------------------------------------	-----------

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of oil and/or gas, or alternatively, sale of the respective areas of interest.

Movements in carrying amounts

Balance at the beginning of the year	-
Additions	369,815
Tenements acquired for shares	850,000
Carrying amount at the end of the year	1,219,815

NOTE 7 TRADE AND OTHER PAYABLES

Current

Trade payables	163,633
Sundry payables and accrued expenses	92,122
Employee benefits	8,170
	263,925

	Consolidated Entity
	2012
	\$

NOTE 8 ISSUED CAPITAL

45,181,000 fully paid ordinary shares	3,806,900
Costs associated with issue of share capital	(109,785)
	3,697,115

	2012
	Number

(a) Ordinary Shares

At the beginning of the year	-
- Share on Incorporation (1)	1
- Share Split (2)	19
- Share Placement (3)	17,000,000
- Share Placement (4)	1,542,980
- Share Placement (5)	1,000,000
- Share Placement (6)	1,000,000
- Share Placement (7)	4,000,000
- Share Placement (8)	20,321,824
- Share Placement (9)	316,176
At reporting date	45,181,000

- (1) On 21 September 2011 UIL Energy Ltd (formerly UIL Energy Australia Pty Ltd) was incorporated with a single share paid up to \$1.
- (2) On 10 October 2011 the company undertook a share split converting the existing single share into 20 shares valued at \$0.05 per shares.
- (3) On 10 October 2011, 17,000,000 new ordinary shares paid up to \$0.05 (total consideration \$850,000) were issued to Jaldale Pty Ltd (a Company associated with Simon Hickey a Director of UIL Energy Ltd) as consideration for the acquisition of EP 359 and 447 farm-in interests.
- (4) On 20 October 2011, 1,542,980 new ordinary shares paid up to \$0.05 (total consideration \$77,149) were issued in lieu of cash for consulting services provided to the Company.
- (5) On 18 November 2011, 1,000,000 new ordinary shares paid up to \$0.05 (total consideration \$50,000) were issued pursuant to a share placement to a sophisticated investor.
- (6) On 11 January 2012, 1,000,000 new ordinary shares paid up to \$0.05 (total consideration \$50,000) were issued pursuant to a share placement to John de Stefani (a director of UIL Energy Ltd).
- (7) On 5 March 2012, 4,000,000 new ordinary shares paid up to \$0.05 (total consideration \$200,000) were issued pursuant to a share placement to sophisticated investors.
- (8) On 1 May 2012, 20,321,824 new ordinary shares paid up to \$0.125 (total consideration \$2,540,228) were issued pursuant to a share placement to sophisticated investors.
- (9) On 20 June 2012, 316,176 new ordinary shares paid up to \$0.125 (total consideration \$39,522) were issued pursuant to a share placement to sophisticated investors.

Ordinary shares have no par value. There is no limit to the authorised share capital of the Company.

NOTE 8 ISSUED CAPITAL (continued)

(b) Options

As at the reporting date there were 10,250,000 unissued ordinary shares of UIL Energy Ltd under option as follows:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number of Options
11/01/2012	31/12/2012	30/06/2017	\$0.05	1,000,000
11/01/2012	30/06/2012	31/12/2012	\$0.05	2,000,000
10/02/2012	10/02/2012	31/12/2012	\$0.05	500,000
10/02/2012	10/02/2012	3/01/2017	\$0.05	250,000
5/03/2012	5/03/2012	3/01/2017	\$0.125	500,000
5/03/2012	5/03/2012	3/03/2017	\$0.125	250,000
5/03/2012	31/12/2012	21/11/2016	\$0.125	250,000
17/04/2012	17/04/2012	31/12/2015	\$0.25	3,000,000
17/04/2012	17/04/2012	31/12/2015	\$0.25	2,000,000
17/04/2012	17/04/2012	31/12/2015	\$0.25	500,000
Total				10,250,000

For information relating to the UIL Energy Ltd employee option plan and options issued for other goods and services, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 18.

(c) Capital Risk Management

Management controls the capital of the consolidated entity in order to provide capital growth to shareholders and ensure the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's capital comprises equity as shown in the consolidated statement of financial position.

There are no externally imposed capital requirements.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and the market. These responses include the management of share issues.

	Consolidated Entity
	2012
	\$

NOTE 9 RESERVES

Option Reserve – employee share options	545,408
	545,408

The option reserve records the value of options issued as an expense relating to director and employee share options.

	Consolidated Entity
	2012
	\$

NOTE 10 RETAINED PROFITS

Retained profits / (accumulated losses) attributable to members of UIL Energy Ltd at beginning of the financial year	-
Profits / (losses) after income tax	(979,114)
Retained profits attributable to members of UIL Energy Ltd at the end of the financial year	(979,114)

NOTE 11 EARNINGS PER SHARE**Earnings**

Profit/(loss) attributable to owners of UIL Energy Ltd used to calculate basic and diluted earnings per share	(979,114)
---	-----------

	2012
	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	24,616,231
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	24,616,231

Options could potentially dilute basic earnings per share in the future but were not included in the calculation of dilutive earnings per share because they were anti-dilutive for 2012.

NOTE 12 DIVIDENDS AND FRANKING CREDITS

There were no dividends paid or recommended during the financial year.

There were no franking credits available to the shareholders of the Company.

	Country of Incorporation	Percentage Owned (%)*
		2012

NOTE 13 CONTROLLED ENTITIES

Parent Entity:		
UIL Energy Ltd	Australia	
Subsidiaries of UIL Energy Ltd:		
Cape Range Energy Pty Ltd#	Australia	100%
PB Energy No 1 Pty Ltd#	Australia	100%
UIL Canning Basin Pty Ltd^	Australia	100%

* percentage of voting power is in proportion of ownership

subsidiaries acquired for nominal consideration during the year

^ new subsidiaries established during the year

NOTE 14 JOINT VENTURES

The consolidated entity has the potential to earn up to 75% interest in a joint venture arrangement for EP447. The other party to the joint venture holds 25%. The consolidated entity's share of the expenditure commitment for this joint venture over the next 5 years is \$4,000,000 which has been appropriately recognised in Note 16 Commitments.

The consolidated entity has the potential to earn up to 50% interest in the conventional petroleum rights in EP-359 and up to 75% interest in the unconventional petroleum rights in EP-359 under a farm-in agreement. For the consolidated entity to obtain 75% interest in the tenement it has to drill two exploration wells. One of the other joint venture parties may also elect to participate in the drilling program. If they do so, the consolidated entity's interest would reduce from 75% to 72.5% or 67.5% interest in the unconventional petroleum rights, depending on whether the joint venture party participates in one or two of the wells. If the joint venture party elects to participate in the first well then the consolidated entity's interest in conventional petroleum rights would reduce from 50% to 45% interest in EP-359. There is no further adjustment to the consolidated entity's conventional petroleum earn in rights if the joint venture party elects to participate in the second well. The consolidated entity's share of the expenditure commitment for this joint venture over the next 6 years to earn up to the 50% conventional and 75% unconventional petroleum interest is \$10,000,000 which has been appropriately recognised in Note 16 Commitments.

Parent Entity
2012
\$

NOTE 15 PARENT ENTITY INFORMATION

(a) Summary financial information

The individual financial report for the parent entity shows the following aggregate amounts:

Statement of Financial Position

Current Assets	2,316,559
Total Assets	3,501,401
Current Liabilities	233,938
Total Liabilities	233,938

Shareholders' equity

Issued Capital	3,697,115
Reserves	545,408
Accumulated Losses	(975,060)
	3,267,463

Statement of Comprehensive Income

Loss for the year attributable to owners of the parent	(975,060)
Total comprehensive loss attributable to owners of the parent	(975,060)

(b) Guarantees

No guarantees have been entered into by the parent entity in relation to debts of its subsidiaries.

(c) Contractual Commitments

There were no contractual commitments for the acquisition of property, plant and equipment entered into by the parent entity at 30 June 2012.

NOTE 15 PARENT ENTITY INFORMATION (continued)

(d) Contingent Liabilities

See Note 17.

	Consolidated Entity
	2012
	\$

NOTE 16 COMMITMENTS

(a) Future Exploration

The consolidated entity 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 consolidated entity.

The commitments to be undertaken are as follows:

Payable:

- not later than 12 months	10,650,000
- between 12 months and 5 years	41,450,000
- greater than 5 years	7,650,000
	<hr/> 59,750,000

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

The Company has a commitment in the future to offer and if accepted, issue 2,000,000 share options to a service provider under the terms of contract for securing capital finance for the Company. Each option entitles the option holder to acquire one ordinary share in the business at \$0.24. The options, if issued, will expire on 31 December 2016.

(b) Joint Ventures

Commitments arising from interest in joint ventures are included in future exploration.

NOTE 17 CONTINGENT LIABILITIES & ASSETS

The directors are not aware of any significant contingent liabilities or contingent assets at the date of this report.

NOTE 18 SHARE BASED PAYMENTS

(a) Share-based payments to Directors

The following share options were granted to Directors during the financial year:

	Grant Date	Grant Number	Exercise Price	Expiry Date	Vesting Date	Number Vested @ 30 June 2012	Value per option at grant date (\$)#	Total value of options at grant date	Total value expensed during the year ended 30 June 2012	Maximum total value of grant yet to vest
			\$				\$	\$	\$	\$
Directors										
Simon Hickey	17/04/12	2,000,000 ^(a)	0.25	31/12/15	17/04/12	2,000,000	0.071	141,596	141,596	-
Keith Skipper	5/03/12	250,000 ^(b)	0.125	21/11/16	31/12/12	-	0.093	23,302	9,058	14,244
	17/04/12	500,000 ^(a)	0.25	31/12/15	17/04/12	500,000	0.071	35,395	35,399	-
John de Stefani	11/01/12	1,000,000 ^(c)	0.05	30/06/17	31/12/12	-	0.039	38,966	18,769	20,197
	11/01/12	2,000,000 ^(d)	0.05	31/12/12	30/06/12	2,000,000	0.019	38,754	38,754	-
	17/04/12	3,000,000 ^(a)	0.25	31/12/15	17/04/12	3,000,000	0.071	212,395	212,395	-
		8,750,000				7,500,000		490,412	455,971	34,441

(a) The options issued to the Directors on 17 April 2012 have the following key terms:

- Exercise price will be:
 - If the Company lodges a prospectus with ASIC (or a comparable overseas regulatory authority) for its IPO on or before 31 Dec 2012, the issue price for shares offered for subscription under the IPO; or
 - In the event the Company does not lodge a prospectus with ASIC (or a comparable overseas regulatory authority) for its IPO on or before 31 Dec 2012, \$0.25 each.
- Expiry Date will be:
 - 3 years after the Company lodges its prospectus with ASIC (or a comparable overseas regulatory authority) in respect of the IPO; or
 - 31 December 2015.

(b) The options issued to Mr Keith Skipper on 5 March 2012 have the following key terms:

- Vesting date will be the earlier of:
 - The date on which the Company lodges a prospectus; or
 - 31 December 2012.
- The expiry date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 5 years from commencement of Mr Skipper's consultancy arrangement with the Company.

(c) The options issued to Mr John de Stefani on 11 Jan 2012 have the following key terms:

- Exercise price will be:
 - \$0.05 per option but if the option holder is not engaged as CEO (or similar as agreed by the Board) the exercise price shall be \$1.00 per option.
- Vesting date will be the earlier of:
 - The date on which the Company lodges a prospectus; or
 - 31 December 2012.
- The expiry date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 5 years from the date of expiry of Mr de Stefani's probationary period being 30 June 2012.

(d) The options issued to Mr John de Stefani on 11 Jan 2012 have the following key terms:

- Vesting date will be:
 - The date of expiry of Mr de Stefani's probationary period as an employee of the Company being 30 June 2012.
- The expiry date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 31 December 2012.

NOTE 18 SHARE BASED PAYMENTS (continued)

(a) Share-based payments to Directors (continued)

The weighted average fair value of the options granted during the year was \$0.06. This price was calculated by using a Black Scholes options pricing model applying the following inputs

	2012
Weighted average exercise price	\$0.18
Weighted average life of the option	3.31 years
Underlying share price	\$0.10
Expected share price volatility	100%
Risk free interest rate	3.56%

Comparative volatility of similar companies has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

There were no options issued to Directors in the prior year.

(b) Share-based payments to employees and consultants

The following share options were granted to employees and consultants during the financial year:

Grant Date	Grant Number	Exercise Price	Expiry Date	Vesting Date	Number Vested @ 30 June 2012	Value per option at grant date (\$)#	Total value of options at grant date	Total value expensed during the year ended 30 June 2012	Maximum total value of grant yet to vest
		\$				\$	\$	\$	\$
10/02/12	500,000 ^(a)	0.05	31/12/12	10/02/12	500,000	0.019	9,305	9,305	-
10/02/12	250,000 ^(b)	0.05	3/01/17	10/02/12	250,000	0.038	9,418	9,418	-
5/03/12	500,000 ^(c)	0.125	3/01/17	5/03/12	500,000	0.094	46,978	46,978	-
5/03/12	250,000 ^(d)	0.125	3/03/17	5/03/12	250,000	0.095	23,736	23,736	-
	1,500,000				1,500,000		89,437	89,437	-

NOTE 18 SHARE BASED PAYMENTS (continued)

(b) Share-based payments to employees and consultants (continued)

- (a) The options issued on 10 February 2012 have the following key terms:
- Expiry Date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 31 December 2012
- (b) The options issued on 10 February 2012 have the following key terms:
- Vesting date will be the earlier of:
 - The date of commencement of the option holder's employment as COO; or
 - The commencement of the option holder's consultancy agreement with the Company.
 - The expiry date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 5 years from commencement of the option holder's employment as COO or the commencement of the option holders consultancy agreement with the Company.
- (c) The options issued on 5 March 2012 have the following key terms:
- Vesting date will be the earlier of:
 - The date of commencement of a third party's employment as COO; or
 - 31 December 2012.
 - The expiry date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 5 years from commencement of a third party's employment as COO or the commencement of the third party's consultancy agreement with the Company.
- (d) The options issued on 5 March 2012 have the following key terms:
- Vesting date will be:
 - The date of commencement of the option holders employment as CFO; or
 - The date on which the Company lodges a prospectus; or
 - 31 December 2012.
 - The expiry date will be the earlier of:
 - The date immediately prior to the day on which the Company's shares are officially quoted on a securities exchange; or
 - 5 years from commencement of the option holder's employment as CFO or the commencement of the option holder's consultancy agreement with the Company.

The weighted average fair value of the options granted during the year was \$0.06. This price was calculated by using a Black Scholes options pricing model applying the following inputs

	2012
Weighted average exercise price	\$0.09
Weighted average life of the option	3.56 years
Underlying share price	\$0.09
Expected share price volatility	100%
Risk free interest rate	3.46%

Comparative volatility of similar companies has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

There were no options issued to employees or consultants in the prior year.

(c) Share-based payments to Directors, employees and consultants

The expected life of the options has been taken to be the full period of time from grant date to expiry date. The respective options pricing model assumes that options will be exercised on or immediately before the expiry date.

(d) Other share-based payments

On 10 October 2011 the Company acquired the rights, entitlements and obligations of two Farm-in agreements (EP 359 & 447) from Jaldale Pty Ltd, a company associated with Mr Simon Hickey (Chairman of UIL Energy Ltd). The consideration provided for the assets was 17,000,000 new ordinary shares paid up to \$0.05 (\$850,000).

NOTE 19 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

(a) Parent entity

The parent entity and ultimate controlling entity is UIL Energy Ltd, which is incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are disclosed in Note 13.

(c) Key management personnel

(i) The following fees were paid to key management personnel of the company

	Consolidated Entity 2012 \$
Short-term benefits	125,500
Share-based payments	455,971
	581,471

(d) Transactions with related parties

- (i) On 10 October 2011 the Company acquired the rights, entitlements and obligations of two Farm-in agreements (EP 359 & 447) from Jaldale Pty Ltd, a company associated with Mr Simon Hickey (Chairman of UIL Energy Ltd). The consideration provided for the assets was 17,000,000 new ordinary shares paid up to \$0.05 (\$850,000).
- (ii) During the year the Company paid consulting fees to directors or companies associated with directors as follows:-
- \$43,000 to PetroSedex Pty Ltd, a company associated with Mr Keith Skipper;
 - \$80,000 to MITA Consulting, a company associated with Mr Simon Hickey; and
 - \$2,500 to Mr John de Stefani
- (iii) During the year accounting services were provided by PG&A Accountants and Advisers Pty Ltd, a company associated with Mrs Sue McKeen (Director to 8 February 2012). Total fees paid to or accrued for the period, during Mrs McKeen's term as a Director, were \$5,630.

NOTE 20 FINANCIAL RISK MANAGEMENT

(a) General objectives, policies and processes

In common with all other businesses, the consolidated entity is exposed to risks that arise from its use of financial instruments. This note describes the consolidated entity's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The consolidated entity's financial instruments consist mainly of deposits with banks, accounts receivable and payable.

NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

The Board has overall responsibility for the determination of the consolidated entity's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the consolidated entity's finance function. The consolidated entity's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the consolidated entity where such impacts may be material.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the consolidated entity's competitiveness and flexibility. Further details regarding these policies are set out below:

(b) Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the consolidated entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the consolidated entity. The consolidated entity's objective is to minimise the risk of loss from credit risk exposure.

The consolidated entity's maximum exposure to credit risk at the end of the reporting period, without taking into account the value of any collateral or other security, in the event other parties fail to perform their obligations under financial instruments in relation to each class of recognised financial asset at reporting date, is as follows:

	Consolidated Entity 2012 \$
Cash and cash equivalents	2,263,483
Trade and other receivables	44,036
	2,307,519

Credit risk is reviewed regularly by the Board. It arises from exposure to customers (trade receivables) as well as through deposits with financial institutions and other receivables from subsidiaries.

No receivables balances were past due or impaired at year end.

Cash at bank is held with Commonwealth Bank of Australia who have a AA- credit rating.

(c) Liquidity risk

Liquidity risk is the risk that the consolidated entity may encounter difficulties raising funds to meet financial obligations as they fall due. The object of managing liquidity risk is to ensure, as far as possible, that the consolidated entity will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions.

Liquidity risk is reviewed regularly by the Board.

The consolidated entity manages liquidity risk by monitoring forecast cash flows and liquidity ratios such as working capital. The consolidated entity's working capital, being current assets less current liabilities, at reporting date was \$2,043,594.

NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

	Carrying Amount	Contractual Cash flows	<6 months	6 – 12 months	1 – 3 years	>3 years
	\$	\$	\$	\$	\$	\$

Maturity Analysis – Consolidated entity - 2012**Financial Liabilities**

Trade and other payables	263,925	263,925	263,925	-	-	-
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Further information regarding commitments is included in Note 16.

(d) Market risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). The entity does not have any material exposure to market risk other than interest rate risk.

Interest rate risk

Interest rate risk arises principally from cash and cash equivalents. The objective of interest rate risk management is to manage and control interest rate risk exposures within acceptable parameters while optimising the return.

Interest rate risk is managed with a mixture of fixed and floating rates. For further details on interest rate risk refer to the table below:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total carrying amount as per the balance sheet	Weighted average effective interest rate
	2012	2012	2012	2012	2012
	\$	\$	\$	\$	%
<i>Financial assets</i>					
Cash and cash equivalents	1,063,483	1,200,000	-	2,263,483	4.56%
Trade and other receivables	-	-	44,036	44,036	-
Total financial assets	1,063,483	1,200,000	44,036	2,307,519	
<i>Financial liabilities</i>					
Trade and other payables	-	-	263,925	263,925	-
Total financial liabilities	-	-	263,925	263,925	

The consolidated entity has performed a sensitivity analysis relating to its exposure to interest rate risk. This sensitivity demonstrates the effect on the current year results and equity which could result from a change in these

NOTE 20 FINANCIAL RISK MANAGEMENT (continued)

At 30 June 2012 the effect on profit and equity as a result of changes in the interest rate would be as follows:

	Carrying Amount	Increase in interest rate by 1%		Decrease in interest rate by 1%	
		Profit	Other comprehensive income	Profit	Other comprehensive income
	\$	\$	\$	\$	\$

CONSOLIDATED – 2012

Cash and cash equivalents	2,263,483	22,635	-	(22,635)	-
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The above analysis assumes all other variables remain constant.

	Consolidated Entity 2012 \$
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NOTE 21 AUDITOR'S REMUNERATION

Remuneration for the auditor of the parent entity for:

- auditing or reviewing the financial report of any entity in the consolidated entity	9,000
- taxation services	-
- Other tax and business advisory services	-
	9,000

NOTE 22 EVENTS AFTER BALANCE DATE

On 10 July 2012 the Company received confirmation from the Government of Western Australia, Department of Mines and Petroleum that it had been granted SPA-0040. The SPA area consists of 156 blocks and covers the Samphire Graben and the Walukarlyarly Embayments and adjacent areas on the southwestern margin of the Canning Basin and adjacent to the northeastern margin of the Pilbara Craton.

Subsequent to 30 June 2012 the Company issued the following share capital:

- On 8 August 2012 the Company issued 720,000 new ordinary shares paid up to \$0.125 pursuant to a share placement to a sophisticated investor.
- On 18 September 2012 the Company issued 1,440,000 new ordinary shares paid up to \$0.125 pursuant to a share placement to sophisticated investors.

There have been no other events since 30 June 2012 that impact upon the financial report as at 30 June 2012.

Declaration by Directors

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date.
2. The consolidated entity has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.
3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the Corporations Act 2001.

This declaration is signed in accordance with a resolution of the directors.



Simon Hickey
Director

Brisbane
23 October 2012

INDEPENDENT AUDITOR'S REPORT

To the members of UIL Energy Limited

We have audited the accompanying financial report of UIL Energy Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of UIL Energy Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of UIL Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without modifying our opinion expressed above, we draw attention to the matters set out in Note 1. The financial report 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 ability of the consolidated entity to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding or the successful exploration and subsequent exploitation of the consolidated entity's tenements. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

No adjustments have been made to the carrying value of assets or recorded amount of liabilities should the company's plans not eventuate.

BDO Audit Pty Ltd

BDO



D P WRIGHT

Director

Brisbane, 23 October 2012