

**UIL ENERGY LTD**

**INTERIM FINANCIAL REPORT  
FOR THE TEN MONTHS ENDED  
30 APRIL 2014**

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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 ten months ended 30 April 2014.

### DIRECTORS

The following persons were directors of UIL Energy Ltd during the period up to the date of this report, unless otherwise stated:

Simon Hickey

John de Stefani

Keith Skipper

Tim Cummings (appointed 1 September 2013 and resigned 19 May 2014)

### REVIEW OF OPERATIONS

During the period UIL Energy continued to assess the conventional and unconventional oil and gas potential of its Perth and Canning basin tenements and continued to expand its footprint across these key petroleum basins.

The Company has secured permits in the Perth Basin including EP 447, EPA 61, EPA 63, EPA 82, EPA 98 and EPA 99.

Further analysis was undertaken on EP 447 following the 212km of seismic acquired during the 2013 financial year. The data provided valuable information on the deep unconventional play along with the potential conventional petroleum targets that need further analysis.

The focus within the Canning Basin will be on the onshore marine Goldwyer Formation which has the capability to be an excellent source rock for both conventional and unconventional petroleum targets. The Company's exploration interests occur within the Kidson Sub-basin (EPA 97 and SPA 26) as well as the Samphire Graben and Waukarlycarly Embayment (SPA 40). Further insights as to the exploration potential of these areas will occur over the coming years.

During the first quarter of 2014 the Company undertook a review of its tenement portfolio. Following this technical review the Board decided that the Company would not proceed with activities in the Carnarvon Basin and also not accept EPA 62 in the Perth Basin. Formal notification was provided to the operator of EPA 359 that the Company would not continue with the farm-in agreement.

In late 2013 the Company successfully completed a capital raising for \$650,000 through an unsecured Convertible Note offer to existing shareholders and new investors. The terms of the Convertible Notes is consistent with those previously offered by the Company in mid 2013. The funds raised will be used to progress the Company to a potential IPO in mid 2014.

### REVIEW OF FINANCIAL RESULTS

The net result of operations after applicable income tax expense for the consolidated entity for the period ended 30 April 2014 was a loss of \$2,775,219 (financial year ended 30 June 2013: loss of \$2,149,605).

## **OUTLOOK**

At the date of writing this report preparations are underway for an initial public offering for listing of the Company's shares on the Australian Stock Exchange. Preparations are advancing for the listing and depending on market conditions and other factors currently scheduled for the third quarter of 2014.

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.

## **AFTER BALANCE DATE EVENTS**

On 28 May 2014 the Company was informed by the Department of Mines and Petroleum WA that it had been granted EP 488 and 489 that cover an area of 444km<sup>2</sup> in the Perth basin. The EP's replace the previously granted EPA's 61 and 63.

During May 2014 the Company converted 2,495,320 convertible notes that matured during the month at a conversion price of \$0.125 per share, resulting in the issue of 19,962,560 ordinary shares.

There have been no other events since 30 April 2014 that impact upon the financial report as at 30 April 2014.

## **AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration under section 307C of the Corporations Act 2001 is set out on page 5 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.



John de Stefani  
Director

Brisbane  
2 July 2014

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

As lead auditor for the review of UIL Energy Limited for the period ended 30 April 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 2 July 2014

## Consolidated Statement of Comprehensive Income

### For the ten months ended 30 April 2014

	Note	Consolidated Entity Ten months to 30 April 2014 \$	Year to 30 June 2013 \$
Revenue	2	10,976	64,995
Employee benefits expense		(821,681)	(705,318)
Consultants fees		(350,890)	(659,778)
Legal fees		(218,568)	(95,823)
Occupancy costs		(86,886)	(79,165)
Travel costs		(67,548)	(145,805)
Insurance expenses		(37,753)	(20,622)
Depreciation expense		(22,962)	(17,817)
Accounting fees		(10,899)	(16,858)
Exploration Impairment		(780,674)	-
Options expense		(216,728)	(312,440)
Other expenses		(171,606)	(160,974)
<b>Profit/(loss) before income tax expense</b>		<b>(2,775,219)</b>	<b>(2,149,605)</b>
Income tax expense		-	-
<b>Net profit/(loss) for the period</b>		<b>(2,775,219)</b>	<b>(2,149,605)</b>
Other comprehensive income/(loss)		-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>(2,775,219)</b>	<b>(2,149,605)</b>
<b>Earnings/(loss) per share attributable to owners of UIL Energy Ltd</b>		<b>Cents</b>	<b>Cents</b>
Basic earnings/(loss) per share (cents per share)		(5.5)	(4.5)
Diluted earnings/(loss) per share (cents per share)		(5.5)	(4.5)

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

## Consolidated Statement of Financial Position

### As at 30 April 2014

		Consolidated Entity	
	Note	30 April 2014 \$	30 June 2013 \$
<b>Current Assets</b>			
Cash and cash equivalents		9,169	767,163
Trade and other receivables		253,051	592,871
Other current assets		11,550	28,204
<b>Total Current Assets</b>		<b>273,769</b>	<b>1,388,238</b>
<b>Non-Current Assets</b>			
Property, plant & equipment		23,042	46,004
Other non-current assets		56,162	56,162
Exploration and evaluation assets	3	3,622,357	3,847,314
<b>Total Non-Current Assets</b>		<b>3,701,561</b>	<b>3,949,480</b>
<b>TOTAL ASSETS</b>		<b>3,975,330</b>	<b>5,337,718</b>
<b>Current Liabilities</b>			
Trade and other payables		722,997	563,794
Financial liabilities	4	3,671,430	3,021,430
<b>Total Current Liabilities</b>		<b>4,394,427</b>	<b>3,585,224</b>
<b>TOTAL LIABILITIES</b>		<b>4,394,427</b>	<b>3,585,224</b>
<b>NET ASSETS</b>		<b>(419,097)</b>	<b>1,752,494</b>
<b>Equity</b>			
Issued capital	5	4,265,928	3,879,028
Reserves		1,218,913	1,002,185
Retained profits		(5,903,938)	(3,128,719)
<b>TOTAL EQUITY</b>		<b>(419,097)</b>	<b>1,752,494</b>

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

## Consolidated Statement of Changes in Equity For the ten months ended 30 April 2014

	Issued Capital	Retained Profits	Option Reserve	Total
	\$	\$	\$	\$
<b>At 1 July 2012</b>	3,697,115	(979,114)	545,408	3,263,409
Profit/(loss) for the year	-	(2,149,605)	-	(2,149,605)
<b>Total comprehensive loss for the year</b>	-	(2,149,605)	-	(2,149,605)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	326,250	-	-	326,250
Costs associated with issue of share capital	(144,377)	-	-	(144,377)
Issue of options	-	-	456,777	456,777
	181,913	-	456,777	638,690
<b>At 30 June 2013</b>	<b>3,879,028</b>	<b>(3,128,719)</b>	<b>1,002,185</b>	<b>1,752,494</b>
<b>At 1 July 2013</b>	3,879,028	(3,128,719)	1,002,185	1,752,494
Profit/(loss) for the period ended 30 April 2014	-	(2,775,219)	-	(2,775,219)
<b>Total comprehensive loss for the period ended 30 April 2014</b>	-	(2,775,219)	-	(2,775,219)
<b>Transactions with owners in their capacity as owners</b>				
Issue of share capital	386,900	-	-	386,900
Issue of options	-	-	216,728	216,728
	<b>386,900</b>	-	<b>216,728</b>	<b>603,628</b>
<b>At 30 April 2014</b>	<b>4,265,928</b>	<b>(5,903,938)</b>	<b>1,218,913</b>	<b>(419,097)</b>

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



## Consolidated Statement of Cash Flows

### For the ten months ended 30 April 2014

	Note	Consolidated Entity	
		Ten months to 30 April 2014 \$	Year to 30 June 2013 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from operations (including refunds of GST)		64,837	338,259
Payments to suppliers and employees		(1,417,848)	(1,791,655)
Interest received		11,319	69,004
Net cash used in operating activities		(1,341,692)	(1,384,392)
<b>Cash Flows from Investing Activities</b>			
Payments for security deposits		-	(56,162)
Payments for property, plant and equipment		-	(63,820)
Payments for exploration and evaluation		(583,744)	(2,653,731)
Net cash used in investing activities		(583,744)	(2,773,713)
<b>Cash Flows from Financing Activities</b>			
Proceeds from issue of shares		162,500	326,250
Capital raising expenses		-	(109,785)
Proceeds from issue of convertible notes		974,942	2,445,320
Proceeds from a short term loan		30,000	-
Net cash provided by financing activities		1,167,442	2,661,785
Net increase in cash held		(757,994)	(1,496,320)
Cash at the beginning of the financial period		767,163	2,263,483
<b>Cash at the end of the financial period</b>		<b>9,169</b>	<b>767,163</b>

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

## Notes to Financial Statements

### NOTE 1 BASIS OF PREPARATION

This general purpose financial report for the interim ten month reporting period ended 30 April 2014 has been prepared in accordance with Australian Accounting Standards AASB 134 *“Interim Financial Reporting”* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by UIL Energy Limited during the interim reporting period.

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

The interim period consolidated financial report was authorised for issue in accordance with a resolution of the Directors on 2 July 2014.

#### *Going Concern*

The interim 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 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. 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.

Over the past few months the Company has actively engaged with prospective investors. At the present time the Company is in discussions with financiers and prospective investors to raise the required capital including planning a potential Initial Public Offering in the second half of 2014.

	Consolidated Entity	
	Ten months to 30 April 2014	Year ended 30 June 2013
	\$	\$

### NOTE 2 REVENUE

#### Revenue

- interest from other persons	10,976	64,995
Total revenue	10,976	64,955

	Consolidated Entity	
	Ten months ended	Year ended
	30 April 2014	30 June 2013
	\$	\$

**NOTE 3 EXPLORATION AND EVALUATION EXPENDITURE****Non-Current**

Exploration and evaluation  
expenditure capitalised

- exploration and evaluation	3,622,357	3,847,314
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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	3,847,314	1,219,815
Additions	555,717	2,627,499
Exploration Impairment <sup>(a)</sup>	(780,674)	-
Carrying amount at the end of the	3,622,357	3,847,314

(a) During the current financial period the Company relinquished its interests in SPA's 22 and 62 and informed JV partner Empire Oil & Gas NL that it would not continue with the farm-in of ATP 447.

**NOTE 4 FINANCIAL LIABILITIES****Current**

Convertible Notes <sup>(a)</sup>	3,671,430	3,021,430
	3,671,430	3,021,430

(a) During the current and prior financial year the Company issued 3,671,430 unsecured Convertible Notes with the following general terms:

- i. Term: 12 months maturity date from issue.
- ii. The face value of the Convertible Note is A\$1.00 per Note.
- iii. Coupon rate: There is no coupon rate.
- iv. Conversion price: if UIL Energy issues a pathfinder prospectus the conversion price will be calculated as a 30% discount to the proposed issue price per share in UIL Energy to be issued to the public. If no pathfinder prospectus is issued prior to the maturity date being 31 May 2014 each note will convert into such number of shares as determined by the greater of the following: \$0.125 or 70% of the share price as determined by an independent valuation.
- v. Conversion rights: Notes are not convertible at the election of the Noteholder. If the UIL Board resolve to approve a pathfinder version of a prospectus then the Board will elect to convert the Notes. If the Notes remain unconverted at the maturity date they will automatically convert at the conversion price.
- vi. Issue of shares: On conversion of a Note the shares will be allotted by UIL Energy as the Noteholder directs within two business days of the date of the notes are to be converted.

	Consolidated Entity	
	Ten months ended	Year ended
	30 April 2014	30 June 2013
	\$	\$
<b>NOTE 5 ISSUED CAPITAL</b>		
52,089,000 Fully paid ordinary shares (30 June 2013: 48,091,000)	4,265,928	4,133,150
Costs associated with issue of share capital <sup>(i)</sup>	-	(254,122)
	4,265,928	3,879,028

(i) Costs associated with the issue of share capital relate to the issue of options over shares in the Company, further detail is provided in Note 21(d).

	30 April 2014	30 June 2013
	Number	Number
<b>(a) Ordinary Shares</b>		
At the beginning of the year	48,091,000	45,181,000
• Exercise of options (1)	250,000	-
• Exercise of options (2)	2,000,000	-
• Exercise of options (3)	1,000,000	-
• Share Placement (4)	224,000	-
• Share Placement (5)	524,000	-
• Share Placement (6)	-	720,000
• Share Placement (7)	-	1,440,000
• Exercise of options (8)	-	500,000
• Exercise of options (9)	-	250,000
At reporting date	52,089,000	48,091,000

- (1) On 1 August 2013, 250,000 options with an exercise price of \$0.05 and an expiry of 3 June 2017, were exercised raising \$12,500.
- (2) On 14 November 2013, 2,000,000 options with an exercise price of \$0.05 and an expiry of 30 June 2017, were exercised raising \$100,000.
- (3) On 14 November 2013, 1,000,000 options with an exercise price of \$0.05 and an expiry of 31 December 2015, were exercised raising \$50,000.
- (4) On 25 November 2013, 224,000 new ordinary shares paid up to \$0.30 (total consideration \$67,200) were issued following shareholder approval to the Managing Director in lieu of salaries.
- (5) On 25 November 2013, 524,000 new ordinary shares paid up to \$0.30 (total consideration \$157,200) were issued following shareholder approval to the Chairman in lieu of salaries.
- (6) On 8 August 2012, 720,000 new ordinary shares paid up to \$0.125 (total consideration \$90,000) were issued pursuant to a share placement to a sophisticated investor and other exempt persons.
- (7) On 18 September 2012, 1,440,000 new ordinary shares paid up to \$0.125 (total consideration \$180,000) were issued pursuant to a share placement to sophisticated investors and other exempt persons.
- (8) On 27 November 2012, 500,000 options with an exercise price of \$0.05 and an expiry of 31 December 2012, were exercised raising \$25,000.
- (9) On 27 November 2012, 250,000 options with an exercise price of \$0.125 and an expiry of 31 December 2012, were exercised raising \$31,250.

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

**(b) Options**

As at the reporting date there were 10,900,000 unissued ordinary shares of UIL Energy Ltd under option as follows:

Grant Date	Vesting Date	Expiry Date	Exercise Price	Number of Options
5/03/2012	31/12/2012	21/11/2016	\$0.125	250,000
26/02/2013	31/10/2013	31/10/2018	\$0.125	250,000
11/03/2013	11/03/2013	31/12/2016	\$0.24	2,000,000
20/06/2013	1/07/2013	31/12/2018	\$0.25	2,000,000
20/06/2013	1/12/2013	31/12/2015	\$0.25	200,000
1/10/2013	1/10/2013	30/06/2017	\$0.30	3,000,000
1/10/2013	1/10/2013	30/06/2017	\$0.30	2,000,000
1/10/2013	1/10/2013	30/06/2017	\$0.30	500,000
11/10/2013	11/01/2014	30/06/2017	\$0.30	500,000
20/11/2013	1/12/2013	28/02/2015	\$0.36	200,000
<b>Total</b>				<b>10,900,000</b>

**NOTE 6 CONTINGENT LIABILITIES & ASSETS**

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

**NOTE 7 EVENTS AFTER BALANCE DATE**

On 28 May 2014 the Company was informed by the Department of Mines and Petroleum WA that it had been granted EP 488 and 489 that cover an area of 444km<sup>2</sup> in the Perth basin. The EP's replace the previously granted EPA's 61 and 63.

During May 2014 the Company converted 2,495,320 convertible notes that matured during the month at a conversion price of \$0.125 per share, resulting in the issue of 19,962,560 ordinary shares.

There have been no other events since 30 April 2014 that impact upon the financial report as at 30 April 2014.

## Declaration by Directors

The directors of the company declare that:

1. The financial statements and notes set out on pages 6 to 13 are in accordance with the *Corporations Act 2001*, including;
  - (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (b) give a true and fair view of the consolidated entity's financial position as at 30 April 2014 and of its performance for the period ended on that date.
2. 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.

This declaration is made in accordance with a resolution of the Directors.



John de Stefani  
Director

Brisbane  
2 July 2014

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of UIL Energy Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying financial report of UIL Energy Limited, which comprises the consolidated statement of financial position as at 30 April 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the period.

### 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 is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 April 2014 and its performance for the period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of UIL Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, 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 review report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of UIL Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 April 2014 and of its performance for the period ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

## Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon a number of matters including the future successful raising of necessary funding, the successful exploration and subsequent exploitation of the consolidated entity's tenements and/or sale of non-core assets. These conditions, along with other matters as set out in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

**BDO Audit Pty Ltd**



**D P Wright**  
Director

Brisbane, 2 July 2014