



ASX Announcement 28 October 2014 Market Update

The Directors of UIL Energy Limited (ASX: UIL) wish to update the market with respect to the following:

1. Updated statement of commitments

Following completion of the offer set out in the Prospectus (**Offer**), the Company raised a total of \$4,203,200 representing an issue of 21,016,000 Shares at an issue price of \$0.20 each.

As the Company raised the Minimum Subscription, the funds will be used in accordance with Sources and Uses of Funds table in the Prospectus and set out below:

Sources of funds ⁽¹⁾	Amount
Existing cash estimated as at 1 September 2014	\$0.2 million
Gross proceeds of the Offer	\$4.2 million
Total available cash	\$4.4 million
Uses of Funds	Amount
EP 488 and EP 489 plan, obtain approvals and carry out approximately 100km of 2D seismic program	\$1.5 million
EP 447: geological and technical review in preparation for the drilling commitment	\$0.2 million
SPA 26 and SPA 40: complete gravity magnetics surveys	\$0.8 million
Working capital for 15 months	\$1.3 million
Costs of the Offer	\$0.6 million
Total use of funds	\$4.4 million

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

2. Updated pro-forma financial information

During the period 1 May 2014 and 20 October 2014, the Company had incurred \$388,854 of general and administrative costs in the ordinary course of business. The majority of these costs relate to salary and wages and administration expenses.

Attached at Schedule 1 is an updated pro-forma financial information for UIL Energy Ltd. The unaudited Pro-Forma Statement of Financial Position has been derived from the reviewed Statement of Financial Position as at 30 April 2014 adjusted for the transactions noted in Section 7.3 of the Prospectus as if they had occurred at 30 April 2014, with the addition of proposed expenditure incurred the ordinary course of business from 1 May 2014 to 20 October 2014.

As a result of the inclusion in the pro-forma financial information of expenditure proposed to be incurred in the ordinary course of business from 1 May 2014 to 20 October 2014, the following tables in the Prospectus have also been updated in the attached pro-forma financial information:

- (a) Cash and Cash Equivalents at Section 7.5.3; and
- (b) Accumulated Losses at Section 7.5.8.

The future exploration commitments set out in Section 7.5.11 of the Prospectus have also been updated to correct when the exploration commitments for the Company's tenements must be satisfied.

Attached to the updated pro-forma financial information is an updated Independent Accountant's Report dated 2 October 2014.

3. Options on issue

As disclosed in the Prospectus, the Company entered into a lead manager agreement with Bell Potter Securities Limited (**Bell Potter**) pursuant to which the Company agreed to issue one Option for every dollar raised under the Offer with an exercise price of \$0.24 and an expiry date of 31 December 2018 (**Broker Options**). The Company wishes to advise that a total of 3,773,000 options have been issued to the Bell Potter and its nominees.

The Company also confirms that it has issued 1,000,000 Options with an exercise price of \$0.24 and an expiry date of 31 December 2018 to Bizzell Capital Partners for managing the Offer on the terms set out in the Prospectus.

A table of the Options on issue following completion of the Offer is set out below. The full terms and conditions of each class of Options are set out at Schedule 2.

Type	Number of Options	Exercise Price	Vesting Date	Expiry Date
Options issued under former ESOP	2,000,000	\$0.25	Vested	31 Dec 2018
Director Options	5,500,000	\$0.30	Vested	30 Jun 2017
Tranche 1 BCP Options	2,000,000	\$0.24	Vested	31 Dec 2016
Tranche 2 BCP Options	1,000,000	\$0.24	Date of listing	31 Dec 2018
Consultant Options	400,000	\$0.24	Vested	31 Dec 2018
Loyalty Options	10,631,959	\$0.24	90 days after listing	31 Dec 2018
Broker Options	3,773,000	\$0.24	Date of listing	31 Dec 2018
New Options	10,508,000	\$0.20	90 days after listing	31 Dec 2015
Total	35,812,959			

4. ASX Restricted Securities

As a condition of listing ASX has classified certain securities issued prior to the date of the Offer as “restricted securities”. These securities will not be quoted and will not be able to be sold, transferred or otherwise disposed of until the restriction period imposed by ASX has ended. A table setting out the securities subject to ASX restrictions and the restriction period that applies to those securities is set out below:

Type of Security	Number	Restriction Period
Shares	375,000	Until 14 January 2015
Shares	146,832	Until 1 July 2015
Shares	247,500	Until 31 July 2015
Shares	1,005,000	Until 14 August 2015
Shares	240,000	Until 18 August 2015
Shares	27,195,323	24 months from the date of official quotation on the ASX
Options	15,961,875	24 months from the date of official quotation on the ASX
Options	7,343,084	Until 18 August 2015
Performance Rights	670,000	24 months from the date of official quotation on the ASX

5. Performance Rights

The Company has issued a total of 1,000,000 Performance rights to directors and senior management under the Company's Performance Rights Plan. A redacted copy of the invitations to each participant setting out the terms of the performance rights on issue are set out at Schedule 3.

6. Voluntary Restricted Securities

As set out in the Prospectus, a number of seed capital investors have entered into voluntary restriction agreement with the Company pursuant to which they are restricted from dealing with their shares.

In total, 21,263,919 Shares are subject to the voluntary restriction arrangements, with 10,631,960 of these Shares becoming free of the restrictions 6 months from the date of listing and the remaining 10,631,959 Shares becoming free from the restrictions 12 months from the date of listing.

Yours Faithfully
UIL Energy Limited



Drew Speedy
Company Secretary

Schedule 1 – Updated Pro-Forma Financial Information and Independent Accountant’s Report

7. Historical and Pro-forma Financial Information

7.1 Introduction

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

The financial information has been prepared by management and adopted by the Board. The Board is responsible for the inclusion of all financial information in the Prospectus. BDO Audit Pty Ltd has prepared an Investigating Accountant's Report in respect of the historical and pro-forma financial information. A copy of the report is attached.

The historical and pro-forma financial information has been prepared in accordance with the recognition and measurement criteria of Australian Accounting Standards and the significant accounting policies set out in Section 7.5 below. The historical and pro-forma financial information comprises financial information of UIL Energy Ltd (the Company). The historical and pro-forma financial information is presented in an abbreviated form insofar as it does not include all the disclosures and notes required in an annual financial report prepared in accordance with Australian Accounting Standards and the *Corporations Act 2001*.

7.2 Historical Financial Information

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

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

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

7.3 Pro-Forma Financial Information

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

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

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

- (i) The issue of between 21,000,000 and 30,000,000 ordinary shares at an issue price of \$0.20 per share to raise between \$4,200,000 to \$6,000,000 cash before expenses of the Offer. All ordinary shares issued pursuant to this Prospectus will be issued as fully paid.
- (ii) Total cash costs expected to be incurred in connection with the preparation of the Prospectus and ASX listing of shares of between \$553,225 and \$684,725. In addition, the costs will include a share based payment expense of \$76,008 for the granting of 1,000,000 options to Bizzell Capital Partners for corporate advice and an additional share based payment expense of between \$319,232 and \$456,045 for the granting of between 4,200,000 and 6,000,000 options to Brokers. Of these share issue costs it is estimated that between \$705,807 and \$975,310 will be classified as share issue costs in equity, relating to the issue of new shares. The remaining costs of between \$242,657 and \$241,468 will be charged to profit or loss, relating to the listing of existing shares.

- (iii) The receipt of all monies receivable at 30 April 2014, being \$251,168, in relation to the Convertible Notes raising undertaken in the first half of 2014 as well as the payment of fees to an underwriter of the convertible notes at 30 April 2014 of \$30,000.
- (iv) The issue of 2,680,000 fully paid ordinary shares to sophisticated investors at an issue price of \$0.125 cash.
- (v) The settlement of accrued fees owing to Directors and employees of the Company, a total of \$467,069 paid by way of 3,466,552 fully paid ordinary shares.
- (vi) The issue of 23,778,560 fully paid ordinary shares as a result of the conversion of 2,972,320 convertible notes. The convertible notes were fair valued at the conversion date with no adjustment required to the historical valuation at 30 April 2014.
- (vii) The issue of 4,993,643 fully paid ordinary shares as a result of the conversion of 699,110 convertible notes. The convertible notes were fair valued at the conversion date and an expense of \$299,619 was included in accumulated losses.
- (viii) The issue of 400,000 share options to consultants of the Company.
- (ix) The lapse of 750,000 share options issued to current and previous Directors. In addition 650,000 options issued to current and previous employees and consultants have lapsed.
- (x) Between the period 1 May 2014 and the proposed listing date of 20 October 2014 the Company plans to incur \$388,854 of general and administrative costs in the ordinary course of business. The majority of these costs incurred relate to salary and wages and administration expenses.

7.4 UIL Energy Ltd Historical and Pro-Forma Financial Information

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

Statement of Financial Position	Notes	Reviewed Historical Financial Information 30 April 2014 \$	Reviewed Pro-Forma Financial Information 30 April 2014 based on offer of Minimum Subscription \$	Reviewed Pro-Forma Financial Information 30 April 2014 based on offer of Maximum Subscription \$
Current assets				
Cash and cash equivalents	7.5.3	9,169	3,823,258	5,491,758
Trade and other receivables	7.5.4	253,050	1,882	1,882
Other current assets		11,550	11,550	11,550
Total current assets		273,769	3,836,690	5,505,190
Non-current assets				
Property, plant and equipment		23,042	23,042	23,042
Other non-current assets		56,162	56,162	56,162
Exploration and evaluation assets		3,622,357	3,622,357	3,622,357
Total non-current assets		3,701,561	3,701,561	3,701,561
Total assets		3,975,330	7,538,251	9,206,751

Current liabilities

Trade and other payables	7.5.5	722,997	255,928	255,928
Other financial liabilities	7.5.6	3,671,430	-	-
Total current liabilities		4,394,427	255,928	255,928
Total liabilities		4,394,427	255,928	255,928
Net assets		(419,097)	7,282,323	8,950,823
Equity				
Issued capital	7.5.7	4,265,928	12,533,239	14,063,736
Reserves	7.5.9	1,218,913	1,626,934	1,763,748
Accumulated losses	7.5.8	(5,903,938)	(6,877,850)	(6,876,661)
Total equity		(419,097)	7,282,323	8,950,823

7.5 Notes to and Forming Part of the Financial Information

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

7.5.1. Basis of Preparation

Going concern

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

Reporting basis and conventions

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

7.5.2. Accounting Policies

a. Trade and other receivables

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

b. Income tax

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

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

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

taxable profit or loss.

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

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

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

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

b. Cash and cash equivalents

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

c. Plant and equipment

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

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

Depreciation

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

d. Exploration and evaluation assets

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

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

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

When production commences, the accumulated costs for the relevant area of interest are

amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

e. Trade and other payables

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

f. Other financial liabilities

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

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the other financial liabilities are classified as non-current.

On the issue of the convertible notes the liability was designated as at fair value through profit or loss. The carrying amount of the liability is remeasured at fair value at each reporting date and the movement in value is taken through profit and loss.

g. Issued capital

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

h. GST

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

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

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

i. Share based payments

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

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

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

j. Critical accounting estimates and judgments

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

Key estimates – share based payments

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

Key judgements – exploration & evaluation assets

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

7.5.3. Cash and Cash Equivalents

Reconciliation of movements in Pro-Forma cash and cash equivalents	Reference	Minimum Subscription \$	Maximum Subscription \$
Cash and cash equivalents at 30 April 2014		9,169	9,169
Proceeds from the issue of shares pursuant to this Prospectus	7.3(i)	4,200,000	6,000,000
Payment of estimated costs with respect to this Prospectus	7.3(ii)	(553,225)	(684,725)
Proceeds from convertible notes monies owed at 30 April 2014 (Net of fees accrued and payable at 30 April 2014)	7.3(iii)	221,168	221,168
Proceeds from the issue of shares	7.3(iv)	335,000	335,000
Payment of general and administrative costs	7.3(x)	(388,854)	(388,854)
Pro-Forma cash and cash equivalents		3,823,258	5,491,758

7.5.4. Trade and Other Receivables

Reconciliation of movements in Pro-Forma trade and other receivables	Reference	Minimum Subscription \$	Maximum Subscription \$
Trade and other receivables at 30 April 2014		253,050	253,050
Proceeds from convertible notes monies owed at 30 April 2014	7.3(iii)	(251,168)	(251,168)
Pro-Forma trade and other receivables		1,882	1,882

7.5.5. Trade and Other Payables

Reconciliation of movements in Pro-Forma trade and other payables	Reference	Minimum Subscription \$	Maximum Subscription \$
Trade and other payables at 30 April 2014		722,997	722,997
Payment of fees owed to Directors and employees	7.3(v)	(467,069)	(467,069)
Pro-Forma trade and other payables		255,928	255,928

7.5.6. Other Financial Liabilities

Reconciliation of movements in Pro-Forma other financial liabilities	Reference	Minimum Subscription \$	Maximum Subscription \$
Other financial liabilities at 30 April 2014		3,671,430	3,671,430
Conversion of convertible notes	7.3(vi)	(2,972,320)	(2,972,320)
Fair value adjustment of convertible notes at time of conversion	7.3(vii)	299,619	299,619
Conversion of convertible notes	7.3(vii)	(998,729)	(998,729)
Pro-Forma other financial liabilities		-	-

7.5.7. Issued Capital

Reconciliation of movements in Pro-Forma issued capital	Reference	Number of shares Minimum Subscription	Number of shares Maximum Subscription
Shares on issue at 30 April 2014		52,089,000	52,089,000
Issue of shares pursuant to this Prospectus	7.3(i)	21,000,000	30,000,000
Issue of shares to investors	7.3(iv)	2,680,000	2,680,000
Issue of shares to Directors and employees	7.3(v)	3,466,552	3,466,552
Conversion of convertible notes	7.3(vi)	23,778,560	23,778,560
Conversion of convertible notes	7.3(vii)	4,993,643	4,993,643
Pro-Forma issued capital⁽¹⁾		108,007,755	117,007,755

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

Reconciliation of movements in Pro-Forma issued capital	Reference	Minimum Subscription \$	Maximum Subscription \$
Issued capital at 30 April 2014		4,265,928	4,265,928
Proceeds from the issue of shares pursuant to this Prospectus	7.3(i)	4,200,000	6,000,000
Payment of estimated costs with respect to this Prospectus (share issue costs)	7.3(ii)	(705,807)	(975,310)
Issue of shares to investors	7.3(iv)	335,000	335,000
Issue of shares to Directors and employees	7.3(v)	467,069	467,069
Conversion of convertible notes	7.3(vi)	2,972,320	2,972,320
Conversion of convertible notes	7.3(vii)	998,729	998,729
Pro-Forma issued capital		12,533,239	14,063,736

7.5.8. Accumulated Losses

	Reference	Minimum Subscription \$	Maximum Subscription \$
Reconciliation of movements in Pro-Forma accumulated losses			
Accumulated losses at 30 April 2014		(5,903,938)	(5,903,938)
Payment of estimated issue costs with respect to this Prospectus (listing of existing shares)	7.3(ii)	(242,657)	(241,468)
Payment of convertible notes underwriting fees	7.3(iii)	(30,000)	(30,000)
Fair value adjustment of convertible notes	7.3(vii)	(299,619)	(299,619)
Share options granted to consultants	7.3(viii)	(12,782)	(12,782)
Payment of general and administrative costs	7.3(x)	(388,854)	(388,854)
Pro-Forma accumulated losses		(6,877,850)	(6,876,661)

7.5.9. Reserves

Reconciliation of movements in Pro-Forma reserves	Reference	Minimum Subscription \$	Maximum Subscription \$
Reserves at 30 April 2014		1,218,913	1,218,913
Share options granted to corporate advisors to the Offer ⁽⁴⁾	7.3(ii)	395,239	532,053
Share options granted to consultants ⁽³⁾	7.3(viii)	12,782	12,782
Pro-Forma reserves		1,626,934	1,763,748

Reconciliation of Pro-Forma share options	Reference	Number of share options Minimum Subscription	Number of share options Maximum Subscription
Share options on issue at 30 April 2014		10,900,000	10,900,000
Share options granted to a corporate advisor and brokers to the Offer ⁽¹⁾⁽²⁾	7.3(ii)	5,200,000	7,000,000
Share options granted to consultants ⁽³⁾	7.3(viii)	400,000	400,000
Share options lapsed to Director's, a consultant and an employee	7.3(ix)	(1,400,000)	(1,400,000)
Grant of share options pursuant to this Prospectus ⁽⁴⁾		10,795,375	10,795,375
Grant of share options pursuant to this Prospectus ⁽⁵⁾		10,500,000	15,000,000
Pro-Forma share options		36,395,375	42,695,375

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

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

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

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

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

Option pricing model

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

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

7.5.10. Deferred Tax

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

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

7.5.11. Commitments

Future exploration commitments

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

	\$
<i>Exploration commitments</i>	
Less than 12 months	1,550,000
Between 12 months and 5 years	68,150,000
Greater than 5 years	61,050,000
	<u>130,750,000</u>

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

Operating lease commitments

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

	<u>\$</u>
<i>Office lease commitments</i>	
Less than 12 months	147,096
Between 12 months and 5 years	175,045
Greater than 5 years	-
	<u>322,141</u>

7.5.12. Contingent Assets and Liabilities

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

7.5.13. Subsequent Events

The Directors are not aware of any other significant changes in the state of affairs of the Company or events subsequent to 30 April 2014 that would have a material impact on the historical or pro-forma financial information.

The Directors
UIL Energy
GPO Box 3284
Brisbane
QLD 4001

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT ON UIL ENERGY LIMITED HISTORICAL AND PRO FORMA HISTORICAL FINANCIAL INFORMATION

Introduction

We have been engaged by UIL Energy Limited (“UIL”) to report on the historical financial information and pro forma historical financial information of UIL as at 30 April 2014 for inclusion in the public document dated on or about 2 October 2014 and relating to the issue of between 21,000,000 and 30,000,000 shares in UIL (“the document”).

Expressions and terms defined in the document have the same meaning in this report.

Scope

Historical financial information

You have requested BDO Audit Pty Ltd to review the following historical financial information of UIL (the responsible party) included in the public document:

- The consolidated statement of financial position as at 30 April 2014.

Hereafter referred to as “the historical financial information”.

The historical financial information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the company’s adopted accounting policies.

The historical financial information has been extracted from the consolidated financial report of UIL for the period ended 30 April 2014, which was reviewed by BDO Audit Pty Ltd in accordance with the Australian Auditing Standards. BDO Audit Pty Ltd issued an unmodified review conclusion on the consolidated financial report.

The historical financial information is presented in the public document in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the *Corporations Act 2001*.



Pro forma historical financial information

You have requested BDO Audit Pty Ltd to review the following pro forma historical financial information of UIL (the responsible party) included in the public document:

- The pro forma consolidated statement of financial position as at 30 April 2014
- Hereafter referred to as “the pro forma historical financial information”.

The pro forma historical financial information has been derived from the historical financial information of UIL, after adjusting for the effects of pro forma adjustments described in section 7.3 of the public document. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in section 7.3 of the public document, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company’s actual or prospective financial position.

Directors’ responsibility

The directors of UIL are responsible for the preparation of the historical financial information and pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of historical financial information and pro forma historical financial information that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the financial information based on the procedures performed and the evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

Conclusions

Historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the historical financial information, as described in sections 7.2 and 7.4 of the public document, and comprising the consolidated statement of financial position as at 30 April 2014, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 7.5 of the document.

Pro forma historical financial information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information, as described in sections 7.3 and 7.4 of the public document, and comprising the pro forma consolidated statement of financial position as at 30 April 2014, is not presented fairly in all material respects, in accordance with the stated basis of preparation as described in section 7.5 of the public document.

Restriction on use

Without modifying our conclusions, we draw attention to section 7.1 of the public document, which describes the purpose of the financial information, being for inclusion in the public document. As a result, the financial information may not be suitable for use for another purpose.

Consent

BDO Audit Pty Ltd has consented to the inclusion of this independent limited assurance report in the public document in the form and context in which it is included.

Liability

The liability of BDO Audit Pty Ltd is limited to the inclusion of this report in the public document. BDO Audit Pty Ltd makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the public document.

General advice warning

The report has been prepared, and included in the document to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decisions in reliance on information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.



Independence or Disclosure of Interest

BDO Audit Pty Ltd does not have any interest in the outcome of proposed listing, or any other interest that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. BDO Audit Pty Ltd will receive normal professional fees for the preparation of this report.

BDO Audit Pty Ltd are auditors of UIL and from time to time BDO member firm also provides UIL with certain other professional services for which normal professional fees are received.

Yours faithfully

BDO Audit Pty Ltd

A handwritten signature in black ink. Above the signature, the letters 'BDO' are written in a small, simple font. The signature itself is a cursive script that appears to read 'Damian Wright'.

Damian Wright
Director

Brisbane, 2 October 2014

Schedule 2 – Option Terms

Director Option Terms

1. No consideration is payable for the grant of the Options.
2. The Options are options to subscribe for ordinary shares in the capital of the Company (**Shares**).
3. The exercise price for the Options will be \$0.30.
(**Exercise Price**).
4. The Options will, except to the extent earlier exercised, expire on the earlier of:
 - a. 30 June 2017; or
 - b. the Business Day after the expiration of 3 months, or any longer period which the Board may determine, after the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company; or
 - c. the date on which the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company due to fraud or dishonesty,

(**Expiry Date**).

5. The Options are transferable in whole or in part.
6. The Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the exercise price per Option to the Company at any time on or after the vesting date (if applicable) and on or before the Expiry Date.
7. Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue Shares ranking pari passu with the then issued Shares.
8. The Option holder does not have any right to participate in new issues of securities in the Company made to shareholders generally. In the event that the Company is listed on ASX or an Approved Overseas Financial Market, the Company will, where required pursuant to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), provide the Option holder with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable).
9. The Option holder does not participate in any dividends unless the Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
10. In the event that the Company is listed on ASX or an Approved Overseas Financial Market, the Company does not intend to apply for listing of the Options on the ASX or an Approved Overseas Financial Market (as applicable).
11. Subject to the Company being listed on ASX or an Approved Overseas Financial Market, the Company shall apply for listing on the ASX or an Approved Overseas Financial Market (as applicable) of the resultant Shares of the Company issued upon exercise of any Option.
12. In the event that the Company is listed on ASX or an Approved Overseas Financial Market, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), if there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O_n = O - \frac{E [P - (S + D)]}{N + 1}$$

$$N + 1$$

Where:

O_n = the new exercise price of the Option;

O = the old exercise price of the Option;

E = the number of underlying Shares into which one Option is exercisable

P =

(i) if the Company is listed on ASX or an Approved Overseas Financial Market, the average market price per share (weighted by reference to volume) of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date; or

(ii) otherwise, the average market price per Share determined by the accountants for the Company;

S = the subscription price for a Share under the pro rata issue;

D = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and

N = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

13. In the event that the Company is listed on ASX or an Approved Overseas Financial Market, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), if there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
14. In the event that the Company is listed on ASX or an Approved Overseas Financial Market, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), the terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
15. Subject to the Company being listed on ASX or an Approved Overseas Financial Market, in the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable) at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
16. For the purposes of these terms and conditions, "Approved Overseas Financial Market" means a financial market outside Australia which ASIC has declared in writing under Class Order 02/249 to be an approved overseas financial market for the purposes of subsection 257B(7) of the Corporations Act.

Tranche 1 BCP Option Terms

- (a) No monies will be payable for the issue of the Options.
- (b) Exercise Period is from Issue Date, 11 March 2013 until the earlier of 31 December 2016 of the date the Options are fully exercised (all dates inclusive).
- (c) The Options are not transferable in whole or in part.
- (d) Subject to meeting any vesting conditions the Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time on or after the date of issue of the Options and on or before the Expiry Date.
- (e) The number of Options that may be exercised at one time must be not less than parcels of 10,000 unless the Option holder holds less than 10,000 Options in which case the Option holder may only exercise all of their Options.
- (f) Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
- (g) Option holders do not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules.
- (h) Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Company are issued prior to the record date to determine entitlements to the dividend.
- (i) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
 - (1) the number of Options, the exercise price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (2) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
 - (3) If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - E [P - (S + D)]$$

$$N + 1$$

Where:

O^n = the new exercise price of the Option.

O = the old exercise price of the Option.

E = the number of underlying securities into which one Option is exercisable.

P = where the Company is listed on ASX, the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date; and otherwise, the average market price per security determined by the Company's accountants on the day before the ex right date or the ex entitlements date.

S = the subscription price for a security under the pro rata issue.

D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue)

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

- (j) If there is a bonus issue to the holders of shares in the Company, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (k) The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options;
- (l) The Company does not intend to apply for listing of the Options on the ASX.
- (m) In the event that the Company becomes a listed entity on the ASX prior to the exercise of the Options, the Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.
- (n) The following expressions have the following meanings:
 - (1) **“Bid Period”** means the period referred to in the definition of “bid period” in section 9 *Corporations Act 2001 (Cth)*, provided that where a proposal to make a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company the Bid Period will be deemed to have commenced at the time the public announcement is made;
 - (2) **“Change of Control Event”** means a person or entity, either alone or together with any associate of the person or entity, acquiring a relevant interest in shares of the Company sufficient to give the person or entity the ability in general meeting to replace all or a majority of the directors on the Company’s Board.
- (o) The Options holder may exercise any unexercised Options free of restriction (including, without limitation, any performance hurdle conditions which the Options are subject to), subject to compliance with the procedural requirements of clauses (e) and (f) (above):
 - (1) at any time during a Bid Period in respect of a takeover bid for securities in the Company;
 - (2) at any time after a Change in Control Event has occurred; or
 - (3) at any time after a court (pursuant to an application under section 411 *Corporations Act*) orders a meeting to be held to consider a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with another company,

provided that the Options are exercised prior to their expiry.

Broker Option Terms and Tranche 2 BCP Option Terms

1. The Options shall be issued for no consideration;
2. The exercise price of each Option is the lower of \$0.24 or 120% of the offer price of Shares as specified in the pathfinder version of the Prospectus approved by the Entity's Board (**Exercise Price**);
3. The Options will vest immediately upon the admission of the Entity to the official list of the ASX (**Vesting Condition**).
4. The Options will expire on 31 December 2018 (Expiry Date) unless earlier exercised;
5. The Entity does not intend to apply for listing of the Options on the ASX;
6. The Options will not be transferable in whole or in part and may not be exercised by any other person (except in the case of the Option holder's death, by his or her legal personal representative);
7. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Entity at any time on or after the date of issue of the Options and on or before the Expiry Date;
8. The number of Options that may be exercised at one time must be not less than 10,000;
9. Upon the valid exercise of the Options and payment of the Exercise Price, the Entity will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
10. Option holders do not have any right to participate in new issues of securities in the Entity made to shareholders generally. The Entity will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
11. Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Entity are issued prior to the record date to determine entitlements to the dividend;
12. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Entity:
 - (a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
13. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the Option;
O = the old exercise price of the Option;
E = the number of underlying securities into which one Option is exercisable;
P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
S = the subscription price for a security under the pro rata issue;
D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

14. If there is a bonus issue to the holders of shares in the Entity, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
15. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Entity approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options; and
16. The Entity shall apply for listing of the resultant shares of the Entity issued upon exercise of any Option.

Consultant Options

1. The Options shall be issued for no consideration;
2. The exercise price of each Option is the lower of \$0.24 or 120% of the offer price of Shares as specified in the pathfinder version of the Prospectus approved by the Entity's Board (**Exercise Price**);
3. The Options will vest immediately upon grant (**Vesting Condition**).
4. The Options will expire on 31 December 2018 (Expiry Date) unless earlier exercised;
5. The Entity may apply for listing of the options on the ASX.
6. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Entity at any time on or after the date of issue of the Options and on or before the Expiry Date;
7. The number of Options that may be exercised at one time must be not less than 10,000;
8. Upon the valid exercise of the Options and payment of the Exercise Price, the Entity will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
9. Option holders do not have any right to participate in new issues of securities in the Entity made to shareholders generally. The Entity will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
10. Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Entity are issued prior to the record date to determine entitlements to the dividend;
11. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Entity:
 - (a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
12. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the Option;
- O = the old exercise price of the Option;
- E = the number of underlying securities into which one Option is exercisable;
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new

security.

13. If there is a bonus issue to the holders of shares in the Entity, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
14. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Entity approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options; and
15. The Entity shall apply for listing of the resultant shares of the Entity issued upon exercise of any Option.

Loyalty Option Terms

1. The Options shall be issued for no consideration;
2. The exercise price of each Option is the lower of \$0.24 or 120% of the offer price of Shares as specified in the pathfinder version of the Prospectus approved by the Entity's Board (**Exercise Price**);
3. The Options will only vest 90 days after the admission of the Entity to the official list of the ASX (**Vesting Condition**).
4. The options can be cancelled at any time at the Entity's election prior to the admission of the Entity to the Official list of the ASX.
5. The Options will expire on 31 December 2018 (Expiry Date) unless earlier exercised;
6. The Entity may apply for listing of the options on the ASX.
7. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Entity at any time on or after the date of issue of the Options and on or before the Expiry Date;
8. The number of Options that may be exercised at one time must be not less than 10,000;
9. Upon the valid exercise of the Options and payment of the Exercise Price, the Entity will issue fully paid ordinary shares ranking pari passu with the then issued ordinary shares;
10. Option holders do not have any right to participate in new issues of securities in the Entity made to shareholders generally. The Entity will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
11. Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Entity are issued prior to the record date to determine entitlements to the dividend;
12. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Entity:
 - (a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
13. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

O^n = the new exercise price of the Option;

- O = the old exercise price of the Option;
- E = the number of underlying securities into which one Option is exercisable;
- P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
- S = the subscription price for a security under the pro rata issue;
- D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
- N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
14. If there is a bonus issue to the holders of shares in the Entity, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
15. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Entity approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options; and
16. The Entity shall apply for listing of the resultant shares of the Entity issued upon exercise of any Option.

New Option Terms

1. The Options shall be issued for no consideration;
2. The exercise price of each Option is \$0.20 (**Exercise Price**);
3. The Options will only vest 90 days after the admission of the Entity to the official list of the ASX (**Vesting Condition**).
4. The Options will expire on 31 December 2015 (Expiry Date) unless earlier exercised;
5. The Entity does not intend to apply for listing of the Options on the ASX;
6. The Options will not be transferable in whole or in part and may not be exercised by any other person (except in the case of the Option holder's death, by his or her legal personal representative);
7. The Options may be exercised at any time wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Entity at any time on or after the satisfaction of the vesting condition of the Options and on or before the Expiry Date;
8. The number of Options that may be exercised at one time must be not less than 10,000;
9. Upon the valid exercise of the Options and payment of the Exercise Price, the Entity will issue one fully paid ordinary share ranking pari passu with the then issued ordinary shares and one Piggy-Back Option for every New Option exercised. The Share and Piggy-back option will be issued at the end of the quarter immediately following exercise;
10. Option holders do not have any right to participate in new issues of securities in the Entity made to shareholders generally. The Entity will, where required pursuant to the ASX Listing Rules, provide Option holders with notice prior to the books record date (to determine entitlements to any new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the Listing Rules.
11. Option holders do not participate in any dividends unless the Options are exercised and the resultant shares of the Entity are issued prior to the record date to determine entitlements to the dividend;
12. In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Entity:
 - (a) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules as applicable at the time of reconstruction, but with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on shareholders; and
 - (b) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged;
13. If there is a pro rata issue (except a bonus issue), the Exercise Price of an Option may be reduced according to the following formula:

$$O^n = O - \frac{E [P - (S + D)]}{N + 1}$$

Where:

- O^n = the new exercise price of the Option;
O = the old exercise price of the Option;
E = the number of underlying securities into which one Option is exercisable;
P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ending on the day before the ex right date or the ex entitlements date;
S = the subscription price for a security under the pro rata issue;
D = dividend due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue);
N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
14. If there is a bonus issue to the holders of shares in the Entity, the number of shares over which the Option is exercisable may be increased by the number of shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue;
15. The terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of ordinary shares in the Entity approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options; and
16. The Entity shall apply for listing of the resultant shares of the Entity issued upon exercise of any Option.

UIL ENERGY LTD
EQUITY OPTION PLAN
OFFER FOR GRANT OF OPTIONS

The Eligible Person named below or their nominee is hereby invited to apply for a grant of Options under the UIL Energy Ltd Equity Option Plan ("Plan") of the following terms and conditions and otherwise subject to terms and conditions of the Plan. The terms used below are as defined in the Plan.

1.	Eligible Person's full name:	[REDACTED]
2.	Status (Employee or Independent Contractor)	Employee
3.	Date of relevant (employment, independent contractor's or intellectual property licence and development) agreement	Employment Agreement dated 22 October 2012
4.	Employee address:	[REDACTED]
5.	Number of Options:	2,000,000
6.	Grant Price	\$ Nil
7.	Exercise Date	The earlier of: a) 1 July 2013; and b) the date on which the Company lodges a prospectus or such other applicable document that contemplates a listing on a securities exchange with the regulator of the relevant financial market in the jurisdiction in which the Company's Shares will be officially quoted.
8.	Exercise Price	a) in the event that the Company lodges a prospectus with ASIC (or a comparable overseas regulatory authority) for its initial public offering and listing on ASX (or an Approved Overseas Financial Market) on or before 1 December 2013 (IPO), the issue price for Shares offered for subscription under the IPO; or b) in the event that the Company does not lodge a prospectus with ASIC (or a comparable overseas regulatory authority) for its initial public offering and listing on ASX (or an Approved Overseas Financial Market) on or before 1 December 2013, \$0.25 each.
9.	Exercise Period	The Exercise Date until the earlier of the Expiry Date and the date the Options are fully exercised (all dates inclusive).
10.	Expiry Date	The Options will, except to the extent earlier exercised, expire on the earlier of: a) 5 years after the Company lodges its prospectus with ASIC (or a comparable overseas regulatory authority) in respect of the IPO; or b) 31 December 2018; or c) the Business Day after the expiration of 3 months, or any longer period which the Board may determine, after the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company; or d) the date on which the Option holder ceases to be a Director or employee of the Company or an associated body corporate of the Company due to fraud or dishonesty.
11.	Special Conditions	Each Option is an option to subscribe for 1 ordinary share in the capital of the Company.

This Offer is made on 20 June 2013 signed for and on Behalf of UIL Energy Ltd


John de Stefani - Director

Schedule 3 – Performance Rights Terms



Invitation to Participate in the UIL Energy Limited Performance Rights Plan



18 August 2014

Dear 


On behalf of the Board of Directors, I am pleased to invite you to participate in the UIL Energy Limited (**UIL**) Performance Rights Plan (**Performance Rights Plan**).

Under the Performance Rights Plan, you are invited to apply for a maximum of 430,000 Performance Rights, which may be exercised and converted to ordinary UIL shares upon the satisfaction of the Performance Conditions (which are described below) over the period commencing on the date of this Invitation and ending on 18 August 2016 (**Performance Period**).

The number of Performance Rights that will vest (and therefore be capable of being exercised in shares in UIL) will depend on satisfaction of the following two (2) performance conditions (collectively referred to as the Performance Conditions):

1. Remaining continually employed or an appointed Board Member of UIL throughout the entire Performance Period; and
2. Satisfaction of Key Performance Indicator's (**KPI's**) set for you over the Performance Period.

Details of these Performance Conditions are set out in more detail below.

Item	Details
Date of Invitation:	18 August 2014
Eligible Person:	
Total number of Performance Rights capable of being exercised on meeting Performance Hurdles	430,000
Performance Hurdles	<p>For Performance Rights to vest the Total Shareholder Return (TSR) of the Company must meet or exceed benchmark TSR relative to the TSR of a comparative group of other oil and gas companies and the ASX Energy Index over the 2 year vesting period. Vesting of the Performance Rights will be as follows:</p> <ul style="list-style-type: none">– Company TSR in top quartile (75% or more) then 100% vesting;– Company TSR at 50th percentile then 50% vesting and proportionate vesting from 50% throughout the 2nd quartile (50% to 75%); and– Company TSR in 3rd or 4th quartile (0 to 50%) then nil vesting.
Performance Period	18 August 2014 to 18 August 2016

Performance Rights Plan - Invitation

Test Date to determine if Performance Hurdles have been met	18 August 2016
Last Exercise Date	Unless otherwise determined by the Board, 84 months from the date on which the Performance Rights are granted to the Eligible Person.
Documents accompanying this Invitation	Copy of the UIL Energy Limited Performance Rights Plan which includes in Schedule 1 an Application for Rights form.
Date by which to return the Application Form	Within 14 days of the Date of Invitation in Item 1.
Approvals	Subject to shareholder approval if the Eligible Person is a director of the Company.

The satisfaction of each Performance Condition will result in the Performance Rights issued to you vesting.

Following the Test Date, UIL will notify you in writing as to the number of Performance Rights that have vested and may be exercised. The vested Performance Rights can be exercised by completing the Notice to Exercise form attached to this Invitation.

Terms of the Performance Rights Plan

The Performance Rights are subject to the terms of the Performance Rights Plan. A copy of the Performance Rights Plan is **attached** to this Invitation. This Invitation must be read in conjunction with and subject to the Performance Rights Plan on the basis that the terms of the Performance Rights Plan must prevail to the extent of any inconsistency between the Performance Rights Plan and this invitation.

Expiry Date

To the extent that the Performance Rights have not been exercised or have otherwise lapsed in accordance with clause 4 of the above table, they will expire on 5.00pm Brisbane time on the date that is 7 years after they are granted to you in accordance with this Invitation (**Expiry Date**). No Performance Right will be capable of being exercised after the Expiry Date.

Tax Consequences

As with any financial instrument, Performance Rights can in certain circumstances have a detrimental financial taxation impact on individuals. If you are unsure as to the taxation implications associated with holding or exercising Performance Rights, we strongly urge you to seek independent legal and financial advice before making any decisions with regard to the Company's offer to participate in the UIL Performance Rights Plan.

Market Price of underlying Shares

Following the grant of the Performance Rights to you, upon request UIL undertakes to provide you with the current market price of UIL Shares within 2 Business Days of you making the request. Unless otherwise specified in your request, the information will be provided to you via email.

Acceptance of Invitation to Participate in the Performance Rights Plan

If you chose to accept the Invitation to participate in the UIL Performance Rights Plan, you must sign and lodge the Application for Rights in Schedule 1 by no later than 2 September 2014.

Yours faithfully



Drew Speedy
Company Secretary



Invitation to Participate in the UIL Energy Limited Performance Rights Plan



18 August 2014

Dear 


On behalf of the Board of Directors, I am pleased to invite you to participate in the UIL Energy Limited (**UIL**) Performance Rights Plan (**Performance Rights Plan**).

Under the Performance Rights Plan, you are invited to apply for a maximum of 240,000 Performance Rights, which may be exercised and converted to ordinary UIL shares upon the satisfaction of the Performance Conditions (which are described below) over the period commencing on the date of this Invitation and ending on 18 August 2016 (**Performance Period**).

The number of Performance Rights that will vest (and therefore be capable of being exercised in shares in UIL) will depend on satisfaction of the following two (2) performance conditions (collectively referred to as the Performance Conditions):

1. Remaining continually employed or an appointed Board Member of UIL throughout the entire Performance Period; and
2. Satisfaction of Key Performance Indicator's (**KPI's**) set for you over the Performance Period.

Details of these Performance Conditions are set out in more detail below.

Item	Details
Date of Invitation:	18 August 2014
Eligible Person:	
Total number of Performance Rights capable of being exercised on meeting Performance Hurdles	240,000
Performance Hurdles	<p>For Performance Rights to vest the Total Shareholder Return (TSR) of the Company must meet or exceed benchmark TSR relative to the TSR of a comparative group of other oil and gas companies and the ASX Energy Index over the 2 year vesting period. Vesting of the Performance Rights will be as follows:</p> <ul style="list-style-type: none">– Company TSR in top quartile (75% or more) then 100% vesting;– Company TSR at 50th percentile then 50% vesting and proportionate vesting from 50% throughout the 2nd quartile (50% to 75%); and– Company TSR in 3rd or 4th quartile (0 to 50%) then nil vesting.
Performance Period	18 August 2014 to 18 August 2016

Performance Rights Plan - Invitation

Test Date to determine if Performance Hurdles have been met	18 August 2016
Last Exercise Date	Unless otherwise determined by the Board, 84 months from the date on which the Performance Rights are granted to the Eligible Person.
Documents accompanying this Invitation	Copy of the UIL Energy Limited Performance Rights Plan which includes in Schedule 1 an Application for Rights form.
Date by which to return the Application Form	Within 14 days of the Date of Invitation in Item 1.
Approvals	Subject to shareholder approval if the Eligible Person is a director of the Company.

The satisfaction of each Performance Condition will result in the Performance Rights issued to you vesting.

Following the Test Date, UIL will notify you in writing as to the number of Performance Rights that have vested and may be exercised. The vested Performance Rights can be exercised by completing the Notice to Exercise form attached to this Invitation.

Terms of the Performance Rights Plan

The Performance Rights are subject to the terms of the Performance Rights Plan. A copy of the Performance Rights Plan is **attached** to this Invitation. This Invitation must be read in conjunction with and subject to the Performance Rights Plan on the basis that the terms of the Performance Rights Plan must prevail to the extent of any inconsistency between the Performance Rights Plan and this invitation.

Expiry Date

To the extent that the Performance Rights have not been exercised or have otherwise lapsed in accordance with clause 4 of the above table, they will expire on 5.00pm Brisbane time on the date that is 7 years after they are granted to you in accordance with this Invitation (**Expiry Date**). No Performance Right will be capable of being exercised after the Expiry Date.

Tax Consequences

As with any financial instrument, Performance Rights can in certain circumstances have a detrimental financial taxation impact on individuals. If you are unsure as to the taxation implications associated with holding or exercising Performance Rights, we strongly urge you to seek independent legal and financial advice before making any decisions with regard to the Company's offer to participate in the UIL Performance Rights Plan.

Market Price of underlying Shares

Following the grant of the Performance Rights to you, upon request UIL undertakes to provide you with the current market price of UIL Shares within 2 Business Days of you making the request. Unless otherwise specified in your request, the information will be provided to you via email.

Acceptance of Invitation to Participate in the Performance Rights Plan

If you chose to accept the Invitation to participate in the UIL Performance Rights Plan, you must sign and lodge the Application for Rights in Schedule 1 by no later than 2 September 2014.

Yours faithfully



Drew Speedy
Company Secretary



Invitation to Participate in the UIL Energy Limited Performance Rights Plan

[REDACTED]

18 August 2014

Dear [REDACTED]

On behalf of the Board of Directors, I am pleased to invite you to participate in the UIL Energy Limited (UIL) Performance Rights Plan (**Performance Rights Plan**).

Under the Performance Rights Plan, you are invited to apply for a maximum of 330,000 Performance Rights, which may be exercised and converted to ordinary UIL shares upon the satisfaction of the Performance Conditions (which are described below) over the period commencing on the date of this Invitation and ending on 18 August 2016 (**Performance Period**).

The number of Performance Rights that will vest (and therefore be capable of being exercised in shares in UIL) will depend on satisfaction of the following two (2) performance conditions (collectively referred to as the Performance Conditions):

1. Remaining continually employed or an appointed Board Member of UIL throughout the entire Performance Period; and
2. Satisfaction of Key Performance Indicator's (KPI's) set for you over the Performance Period.

Details of these Performance Conditions are set out in more detail below.

Item	Details
Date of Invitation:	18 August 2014
Eligible Person:	[REDACTED]
Total number of Performance Rights capable of being exercised on meeting Performance Hurdles	330,000
Performance Hurdles	For Performance Rights to vest the Total Shareholder Return (TSR) of the Company must meet or exceed benchmark TSR relative to the TSR of a comparative group of other oil and gas companies and the ASX Energy Index over the 2 year vesting period. Vesting of the Performance Rights will be as follows: – Company TSR in top quartile (75% or more) then 100% vesting; – Company TSR at 50 th percentile then 50% vesting and proportionate vesting from 50% throughout the 2 nd quartile (50% to 75%); and – Company TSR in 3 rd or 4 th quartile (0 to 50%) then nil vesting.
Performance Period	18 August 2014 to 18 August 2016

Performance Rights Plan - Invitation

Test Date to determine if Performance Hurdles have been met	18 August 2016
Last Exercise Date	Unless otherwise determined by the Board, 84 months from the date on which the Performance Rights are granted to the Eligible Person.
Documents accompanying this Invitation	Copy of the UIL Energy Limited Performance Rights Plan which includes in Schedule 1 an Application for Rights form.
Date by which to return the Application Form	Within 14 days of the Date of Invitation in Item 1.
Approvals	Subject to shareholder approval if the Eligible Person is a director of the Company.

The satisfaction of each Performance Condition will result in the Performance Rights issued to you vesting.

Following the Test Date, UIL will notify you in writing as to the number of Performance Rights that have vested and may be exercised. The vested Performance Rights can be exercised by completing the Notice to Exercise form attached to this Invitation.

Terms of the Performance Rights Plan

The Performance Rights are subject to the terms of the Performance Rights Plan. A copy of the Performance Rights Plan is **attached** to this Invitation. This Invitation must be read in conjunction with and subject to the Performance Rights Plan on the basis that the terms of the Performance Rights Plan must prevail to the extent of any inconsistency between the Performance Rights Plan and this invitation.

Expiry Date

To the extent that the Performance Rights have not been exercised or have otherwise lapsed in accordance with clause 4 of the above table, they will expire on 5.00pm Brisbane time on the date that is 7 years after they are granted to you in accordance with this Invitation (**Expiry Date**). No Performance Right will be capable of being exercised after the Expiry Date.

Tax Consequences

As with any financial instrument, Performance Rights can in certain circumstances have a detrimental financial taxation impact on individuals. If you are unsure as to the taxation implications associated with holding or exercising Performance Rights, we strongly urge you to seek independent legal and financial advice before making any decisions with regard to the Company's offer to participate in the UIL Performance Rights Plan.

Market Price of underlying Shares

Following the grant of the Performance Rights to you, upon request UIL undertakes to provide you with the current market price of UIL Shares within 2 Business Days of you making the request. Unless otherwise specified in your request, the information will be provided to you via email.

Acceptance of Invitation to Participate in the Performance Rights Plan

If you chose to accept the Invitation to participate in the UIL Performance Rights Plan, you must sign and lodge the Application for Rights in Schedule 1 by no later than 2 September 2014.

Yours faithfully



Drew Speedy
Company Secretary