



QUARTERLY ACTIVITIES REPORT

PERIOD ENDED 31 DECEMBER 2016



***Focused on the Perth Basin onshore
gas and liquids plays***

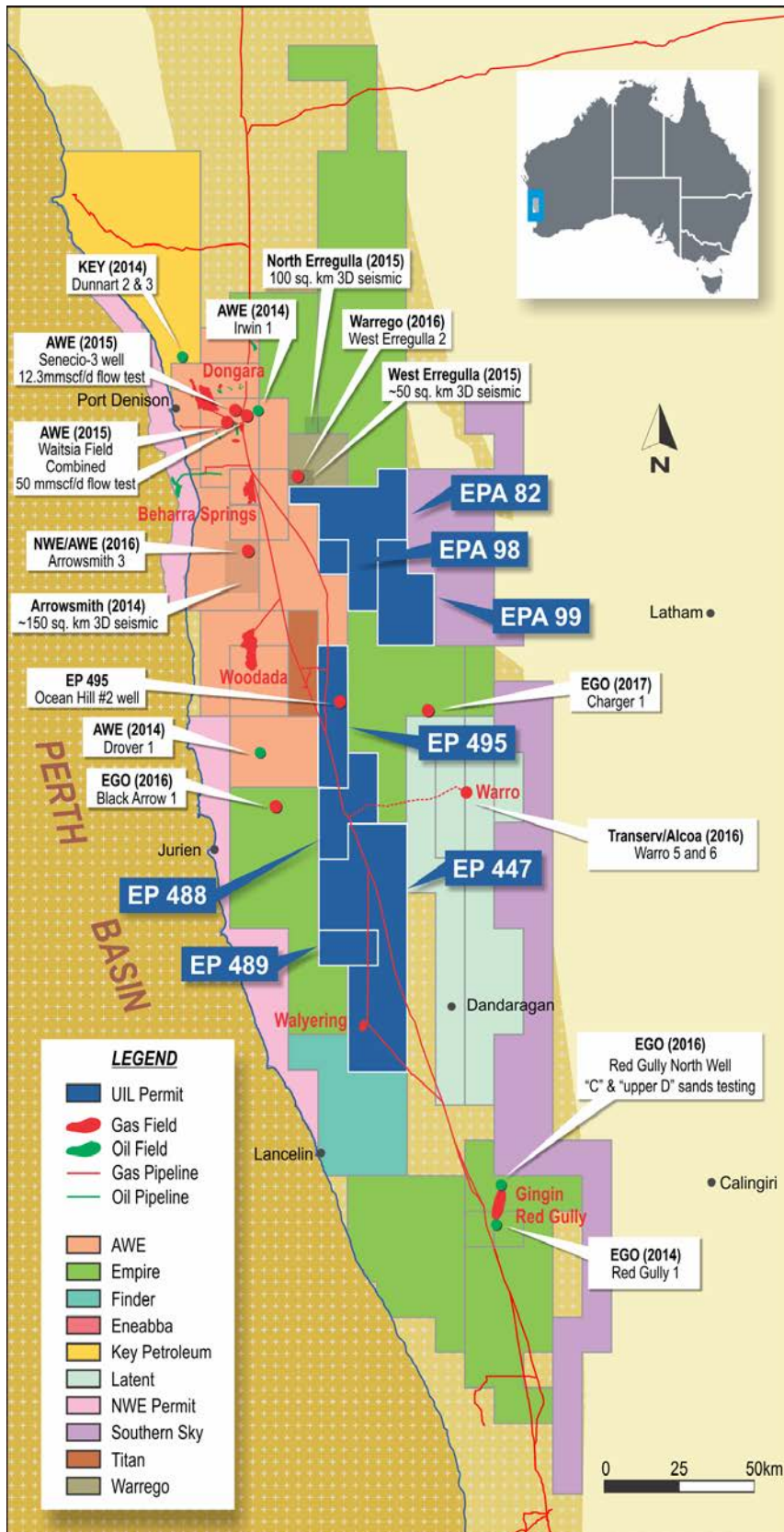
ASX: UIL

UIL Energy Ltd · ACN 153 352 160 · Street Level 9, 1 Eagle St, Brisbane QLD 4000 · **Post** GPO Box 3284, Brisbane QLD 4001

Phone +61 7 3007 9600 · **Web** www.uilenergy.com.au · **Email** info@uilenergy.com

1. Perth Basin Activity

Figure 1: Perth Basin Competitor Activities as reported to the ASX



UIL Energy is strategically well positioned with its 100% owned 700,000 acres across the Perth Basin. Management continues to be optimistic about the attractiveness of its portfolio for investment.

The Company completed a \$1.39 million capital raising during the quarter to advance its Perth Basin exploration, where it is focused on having two highly prospective locations ready to drill in 2017.

UIL Energy has initiated planning efforts on the Ocean Hill prospect that includes approvals for drilling of the Ocean Hill #2 well and the acquisition of a 3D seismic survey covering up to 250km² over the Ocean Hill permit.

Aztech has been engaged to prepare the Ocean Hill # 2 well design which will be submitted to the DMP for approval. It is the aim of the Company to have the Ocean Hill #2 well permitted this year.

Ecologia completed the required on-ground environmental assessment for the planned Ocean Hill 3D seismic program. The environmental assessment is due during the next quarter.

Also during the quarter, UIL Energy and Bombora finalised the Farmin Agreement and Joint Operating Agreement for Bombora to earn a working interest and right to operate in the Walyering project area within UIL Energy's 100% owned EP447.

UIL Energy Completes \$1.39 Million Capital Raise

The Company received strong support from shareholders for the Share Purchase Plan (“SPP”) undertaken during the quarter with applications received for \$642,500 including applications for a further \$180,000 from shareholders seeking to apply for shortfall from the SPP. The SPP monies, combined with the recent share placement of \$750,000 announced on 29 September 2016 have raised a total of \$1.390 million for the Company to accelerate its activities in the Perth Basin, where it is focused on having two highly prospective locations ready to drill in 2017.

Under the terms of the SPP, shareholders received one (1) attaching option for every one (1) share subscribed, exercisable at 7.5 cents with an expiry of 18 months for every share subscribed. 41.85 million options were issued and listed during the quarter (ASX: UILO).

Focus on Ocean Hill Prospect

The Ocean Hill prospect, combined with UIL Energy’s current Perth Basin portfolio, provides one of the most highly prospective acreage positions in the Perth Basin. The earlier Ocean Hill #1 discovery well, initially identified a gas resource that has the potential to become significantly larger with further drilling. The Ocean Hill prospect demonstrates some geological attributes similar to those seen in the Gingin Gas Field and Red Gully Gas Projects, where Empire Oil and Gas commenced production in late 2013.

UIL Energy has started preparation of the approval process for a 3D seismic survey and drilling on the Ocean Hill prospect.

Aztech Well Construction Pty Ltd (Aztech) was engaged late during the quarter to prepare the Ocean Hill # 2 well design, which will be submitted to the Department of Mines and Petroleum for approval. It is the aim of the Company to have the Ocean Hill #2 well permitted and ready to spud late 2017.

Aztech has been very active in the Perth Basin providing project management services for many companies, including the drilling and test programs for AWE Limited (ASX: AWE) for the Waitsia gas project.

The planning provided by Aztech for Ocean Hill #2 well will include:

- Basis of Well Design and Well Management Plan to drill, case and suspend the well for subsequent well testing;
- Support to prepare the Environmental Plan (EP) required for regulatory approvals for drilling; and
- Support to prepare the EP required for regulatory approvals for self-referral submission to Office of the Environmental Protection Authority.

UIL Energy is planning the acquisition of 3D seismic data covering up to 250km² of Ocean Hill permit EP495. The Company engaged Ecologia Environmental Consultants Pty Limited (Ecologia) for an on-ground environmental assessment required for the planned Ocean Hill 3D

seismic program. The results of the survey will be incorporated into an Environmental Plan to be submitted to the Department of Mines and Petroleum for approval during the upcoming quarter.

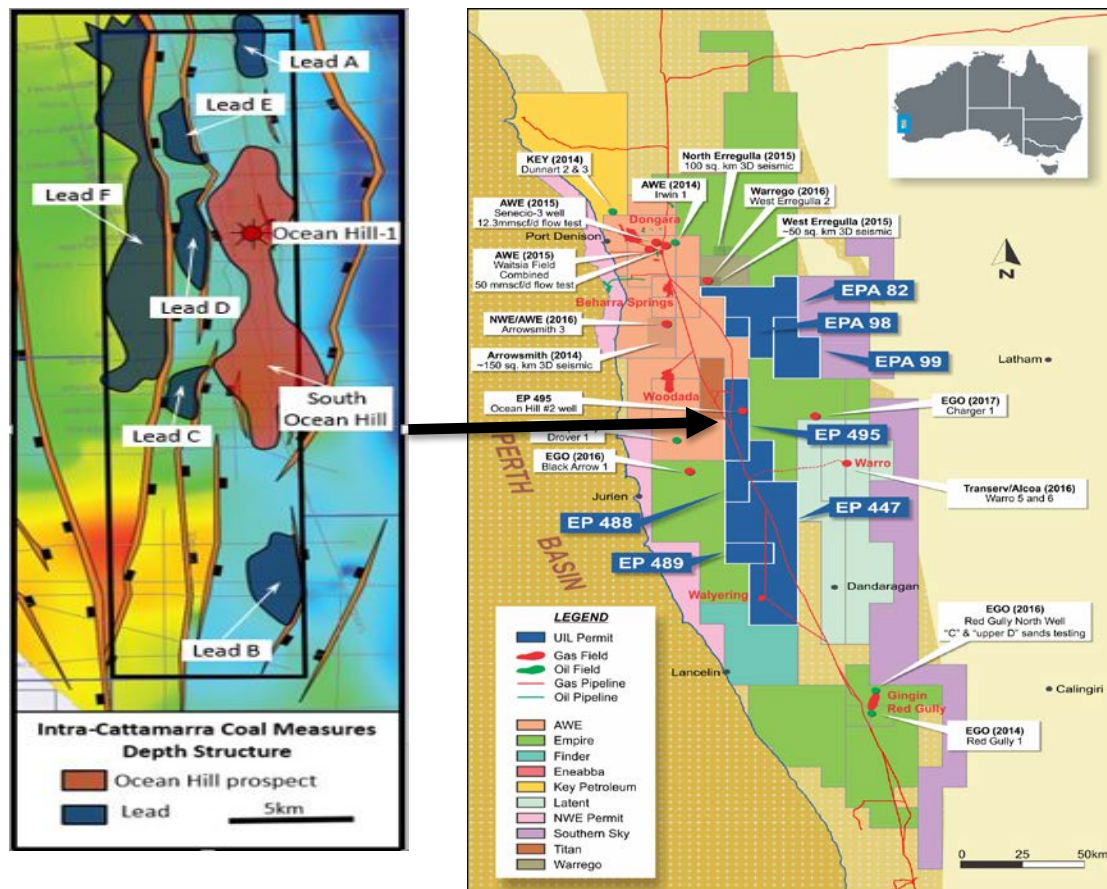


Figure 2: Ocean Hill Prospect

Central Perth Permits – Bombora Farmin and 2D Seismic Planning

The Farmin Agreement (FIA) and Joint Operating Agreement (JOA) with Bombora Natural Energy Pty Ltd (Bombora) for Bombora to earn a working interest and right to operate in the Walyering project area within UIL Energy’s 100% owned EP447 was finalised in November 2016.

Under the FIA and JOA, Bombora can earn a 70% working interest and the right to operate in four graticular blocks (highlighted in figure 3 below), by funding and completing 100% of the cost of preparation, acquisition, processing and interpretation of the farmin 3D seismic survey. The farmin project area represents approximately a quarter of the entire EP447 permit, allowing UIL Energy to pursue petroleum targets identified in the northern portion of the permit.

Bombora will fund up to a gross cost cap of A\$2.25 million for an 80km² 3D seismic survey or up to \$2.5 million for a 100km² seismic survey. The final size of the 3D seismic survey will be determined following further analysis over the prospective area. Costs in excess of the gross cost cap will be shared pro-rata between the parties, but in any event UIL’s Energy’s maximum exposure will be capped at \$100,000.

Bombora will focus on the evaluation of the previously discovered Walying Gas Field, where 3 of 4 historical wells encountered gas within multiple Jurassic age sands, with the best-tested unstimulated zone flowing initially at 13.5 MMCF/D.

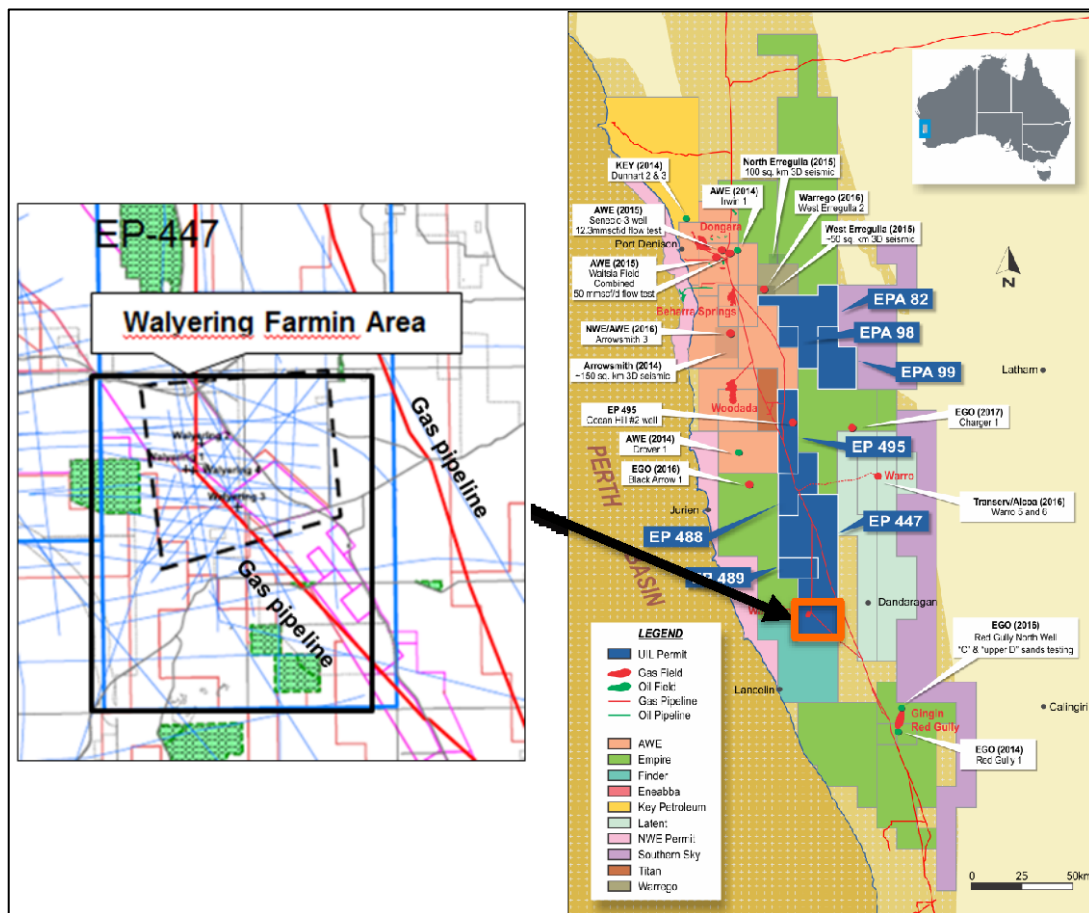


Figure 3: Walying Farmin Area with Bombora Energy

UIL Energy is also planning to acquire up to 264km of 2D seismic across its three central Perth Basin permits (EP447, EP488 and EP489) to upgrade the nine exploration leads already identified in these permits. UIL Energy, as Operator of all three permits, is continuing to consult with relevant government authorities and community groups on all operations. Timing of the seismic survey is dependent on approvals from the various State departments.

Northern Perth Permits

UIL Energy's three 100% owned northern Perth Basin permits (EPA 82,98 and 99) are approximately 35 kilometers southeast of AWE's Waitsia gas discovery. Based on historic seismic and nearby well data, UIL Energy's permits are interpreted to contain similar reservoirs (although expected at greater depths) to those encountered in permits to the northwest. Wells intersecting these formations, adjacent to the UIL Energy's acreage, have historically exhibited elevated gas shows.

UIL Energy is progressing discussions and negotiations with the Native Title groups to enable the permits to be granted.

2. Corporate and Permit Summary

PETROLEUM PERTH BASIN PERMITS

Permit	UIL Interest	Permit Area (gross km ²)	Permit Area (gross acres)
EP 447	100%	1,108	273,787
EP 488	100%	296	73,142
EP 489	100%	148	36,571
EP 495	100%	298	73,636
EPA 82	100%	559	138,129
EPA 98	100%	75	18,533
EPA 99	100%	372	91,921
TOTAL		2,856	705,719

REGISTERED OFFICE AND HEAD OFFICE

UIL Energy Ltd
 ABN 92 153 352 160
 Level 9
 1 Eagle Street
 Brisbane QLD 4000
 Phone: +61 7 3007 9600
 Fax: +61 7 3212 9201
www.uilenergy.com.au

CASH POSITION

Cash on hand as at 31 December 2016 was approximately \$1.9 million.

ISSUED CAPITAL

UIL Energy has the following securities on issue at 31 December 2016:

Quoted:
 188,619,232 Ordinary shares (ASX:UIL)
 41,850,000 Options exercisable at 7.5cents on or before 14 June 2018 (ASX: UILO)

Unquoted:
 Ordinary shares 18,807,136 escrowed
 Convertible Redeemable Preference shares 35,000,000
 Share options 15,804,959 \$0.24 at 31-Dec-18
 Share options 6,000,000 \$0.30 at 30-Jun-17
 Share options 2,000,000 \$0.24 at 31-Dec-16
 Share options 2,000,000 \$0.25 at 31-Dec-18