

Target's Statement

of UIL Energy Limited ACN 153 352 160 in response to the off-market takeover bids by Strike West Holdings Pty Ltd ACN 616 395 398, a wholly owned subsidiary of Strike Energy Limited ACN 078 012 745, to acquire all of your Shares and all of your CPS in UIL Energy Limited.

Accept the Offers

from Strike Energy Limited through its wholly owned subsidiary, Strike West Holdings Pty Ltd ACN 616 395 398 to acquire:

- all of your UIL Energy Shares for 0.485 Strike Energy Shares for every 1 UIL Energy Share; and
- all of your UIL Energy CPS for 0.485 Strike Energy Milestone Options for every 1 UIL Energy CPS

(in the absence of a Superior Proposal)

Your UIL Energy Limited Directors unanimously recommend that you ACCEPT THE OFFERS (in the absence of a Superior Proposal)

The Independent Expert has concluded that the Offers are FAIR AND REASONABLE to UIL Energy Securityholders

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION.

It should be read in its entirety. If you are in doubt about how to deal with this document, you should consult your legal, financial or other professional adviser immediately.

IMPORTANT NOTICES

Nature of this document

This Target's Statement is dated 7 November 2018 and is given under Part 6.5 Division 3 of the Corporations Act by UIL Energy Limited ACN 153 352 160 (**UIL Energy**) in response to the Bidder's Statement dated 24 October 2018 and Offers dated 25 October 2018 by Strike West Holdings Pty Ltd ACN 616 395 398 (**Strike West**), a wholly owned subsidiary of Strike Energy Limited ACN 078 012 745 (**Strike Energy**) to acquire all of the Shares and all of the CPS in UIL Energy.

A copy of this Target's Statement was lodged with ASIC and sent to ASX on 7 November 2018. Neither ASIC, ASX nor any of their officers take any responsibility for the content of this Target's Statement.

This Target's Statement and the Bidder's Statement contain important information. You should read both documents carefully and in their entirety.

Investment Decision

This Target's Statement does not take into account the individual investment objectives, financial situation and particular needs of each UIL Energy Shareholder. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offers for your UIL Energy Shares and/or UIL Energy CPS.

Shareholder Information

If you have any questions in relation to the Offers, please email info@uilenergy.com or call UIL Energy on 07 3007 9600 for callers within Australia or on +61 7 3007 9600 for callers outside Australia from Monday to Friday between 8.30am to 5.00pm (Brisbane time).

Announcements relating to the Offers can be obtained from UIL Energy's website www.uilenergy.com.au

Interpretation

Capitalised terms used in this Target's Statement are defined in section 13 of this document.

Forward Looking Statements

This Target's Statement contains certain forward looking statements and statements of current intention. Such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which UIL Energy is involved as well as general economic conditions and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and such deviations are both normal and to be expected. None of UIL Energy, any of its officers, or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either expressed or implied) as to the accuracy or likelihood in any forward looking statement, and you should not place undue reliance on these statements.

Forward looking statements in this Target's Statement reflect views held only as at the date of this Target's Statement.

Foreign Jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Maps and Diagrams

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

Information about Strike Energy in this Target's Statement

Except where disclosed in this Target's Statement, the information about Strike Energy and Strike West contained in this Target's Statement has been prepared by UIL Energy using publicly available information including the Bidder's Statement, which has not been independently verified. Accordingly, except to the extent required by law, UIL Energy does not assume responsibility for the accuracy or completeness of such information.

Privacy

UIL Energy has collected your information from the register of UIL Energy Shareholders for the purpose of providing you with this Target's Statement. The type of information UIL Energy has about you includes your name, contact details and information on your shareholding (as applicable) in UIL Energy. Without this information, UIL Energy would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (including the UIL Energy Share Registry and print and mail service providers) and may be required to be disclosed to regulators such as ASIC. If you would like details of information about you held by UIL Energy, please contact the UIL Energy Share Registry on 1300 554 474 (within Australia), or +61 1300 554 474 (outside Australia) between 9.00am and 5.00pm (Sydney time) Monday to Friday.

Rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

SUMMARY OF THE OFFERS

The Offers and Offer Consideration	Strike West is offering to acquire all UIL Energy Shares for 0.485 Strike Energy Shares for each UIL Energy Share you hold (Share Offer); and Strike West is also offering to acquire all UIL Energy CPS for 0.485 Strike Energy Milestone Options for each UIL Energy CPS you hold (CPS Offer), (together, the Offers).	
Key Dates	Announcement Date	22 October 2018
	Date of Offers	25 October 2018
	Date of this Target's Statement	7 November 2018
	Director's acceptance (in the absence of a Superior Proposal)	15 November 2018
	Close of Offers (unless extended or withdrawn)	7.00pm (Sydney time) 30 November 2018
Timing for provision of Offer Consideration	If you accept the Share Offer or the CPS Offer and that Offer becomes unconditional, Strike West will issue the Strike Energy Shares or Strike Energy Milestone Options (as applicable) to you on or before the earlier of: i. the date that is one month after the date of your acceptance, or if at the time of your acceptance the Offer is still subject to one or more Conditions, the date that is one month after the Share Offer becomes unconditional; and ii. 21 days after the end of the Offer Period.	
Conditions of the Offers	The Share Offer is subject to the Share Offer Conditions, which are set out in detail in section 2.3 of this Target's Statement and more specifically in Schedule 1 of the Bidder's Statement. The CPS Offer is subject to Strike Energy having a relevant interest in at least 90% of the Shares and the Share Offer having become or been declared unconditional.	
Directors' recommendation	The UIL Energy Board unanimously recommends that you ACCEPT the Offers by Strike West (in the absence of a Superior Proposal).	
How to accept the Offers	If you choose to accept the Offers, how you accept the Offers will depend on whether your UIL Energy Shares and/or UIL Energy CPS are in an Issuer Sponsored Holding or a CHESS Holding: i. if you hold your UIL Energy Shares and/or UIL Energy CPS in an Issuer Sponsored Holding, you must complete the Acceptance Form in accordance with the instructions on it and return it to the address on the Acceptance Form so that it is received before 7.00pm (Sydney time) on the last day of the Offer Period; or ii. if you hold your UIL Energy Shares in a CHESS Holding either contact your Controlling Participant (usually your Broker) and instruct them to accept the Offer on your behalf, or complete the Acceptance Form in accordance with the instructions on it and return it to the address on the Acceptance Form. If you are a Controlling Participant, acceptance of the Share Offer must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.	
Enquiries about the Offers	If you have any questions in relation to the Offers, please email info@uilenergy.com or call UIL Energy on 07 3007 9600 for callers within Australia or on +61 7 3007 9600 for callers outside Australia from Monday to Friday between 8.30am to 5.00pm (Brisbane time).	

This summary of the Offers provides a general overview only and should be read together with the detailed information set out in the remainder of this Target's Statement.

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KEY REASONS TO ACCEPT THE OFFERS

The UIL Energy Board unanimously recommends that you ACCEPT the Offers (in the absence of a Superior Proposal), for the following key reasons.

REASON 1 THE OFFERS PROVIDE YOU WITH PARTICIPATION IN THE COMBINED STRIKE ENERGY'S WEST ERREGULLA PROSPECT AND UIL ENERGY'S NORTHERN PERTH BASIN APPLICATIONS

- Funds raised from Strike Energy's capital raising will be used to support drilling of the West Erregulla-2 well scheduled for drilling in March 2019.
 - UIL Energy's northern applications (EPA 82, EPA 98 and EPA 99) complement Strike Energy's recently acquired EP 469 (West Erregulla Project).
 - The combined northern Perth Basin prospects are focussed on the highly prospective Kingia-High Cliff sands, in close proximity to both the Waitsia and Beharra Springs discoveries, and have the potential to generate additional drillable targets along trend.
-

REASON 2 THE MERGED GROUP'S PORTFOLIO PROVIDES FOR ATTRACTIVE AND STRATEGIC DIVERSIFICATION ACROSS THREE PROJECT AREAS

- The combined portfolio of the Merged Group would include a diversified West Coast and East Coast gas portfolio.
 - The northern Perth Basin portfolio targeting Kingia-High Cliff leads.
 - The central Perth Basin targeting the Cadda and Cattamarra formations with the Ocean Hill prospect and Walyering farm-in.
 - The potential path to near-term gas reserves and future production from the Southern Cooper Basin Gas Project.
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REASON 3 OFFERS PROVIDE YOU WITH IMPROVED ACCESS TO LIQUIDITY

UIL Energy Shareholders who accept the Share Offer will receive Strike Energy Shares, which historically have benefited from greater liquidity when compared to the trading of UIL Energy Shares. Improved liquidity is likely to provide UIL Energy Shareholders with an enhanced ability to realise the inherent value in their shareholding.

REASON 4 THE INDEPENDENT EXPERT HAS CONCLUDED THAT THE OFFERS ARE FAIR AND REASONABLE

UIL Energy appointed BDO Corporate Finance (QLD) Ltd ACN 010 185 725, Australian Financial Services Licence No. 245513 (the Independent Expert) to prepare an independent expert's report (the IER) with an opinion as to whether Strike Energy's Offers were fair and reasonable to UIL Energy Securityholders.

The Independent Expert engaged RISC Operations Pty Ltd as a technical expert to prepare a technical report for inclusion in the IER.

The Independent Expert has assessed the fair market value of UIL Energy Shares in the range of \$0.0302 to \$0.0981 per Share with a best estimate of \$0.0542 per Share on a controlling interest basis, and has concluded that Strike Energy's Share Offer is fair and reasonable, in the absence of a superior proposal.

The Independent Expert has also assessed the fair market value of UIL Energy CPS and has concluded that Strike Energy's CPS Offer is fair and reasonable, in the absence of a superior proposal.

The above summary of key conclusions and opinions of the Independent Expert are qualified in their entirety by, and should be read in conjunction with, the IER, which is included within this Target's Statement. Your Directors recommend that you read the IER carefully.

REASON 5 THE SHARE OFFER REPRESENTS AN ATTRACTIVE PREMIUM

The Share Offer represents an attractive premium of:

- 26.1% to the 5-day comparative VWAP of UIL Energy and Strike Energy Shares before announcement of the Offers;¹
- 43.4% to the 30-day comparative VWAP of UIL Energy and Strike Energy Shares before announcement of the Offers;² and
- 42.2% to the 90-day comparative VWAP of UIL Energy and Strike Energy Shares before announcement of the Offers.³

Since the date of the Bidder's Statement, Strike Energy has completed a capital raise of \$13 million (which was a condition of the Offer) at 11.5c. For the purpose of comparison, the 11.5c price of the Strike Energy capital raise has the following implied premiums to the Offer:

- 21.3% to the 30-day VWAP of UIL Energy Shares before the announcement of the Offers; and
- 26.8% to the 90-day VWAP of UIL Energy Shares before the announcement of the Offers.

Although this is a reduced premium compared to the closing price of the Strike Energy Shares on 19 October (being the last practicable Trading Day prior to the date of the Bidder's Statement), the UIL Energy Board of Directors view this premium to be acceptable the other key reasons to accept and given the capital that has been raised will be utilised for significant exploration and development activities across the Perth Basin and Cooper Basin.

¹ Based on the 5-day VWAP ending on 19 October 2018 for UIL Energy of \$0.055 and Strike Energy of \$0.143.

² Based on the 30-day VWAP ending on 19 October 2018 for UIL Energy of \$0.046 and Strike Energy of \$0.136.

³ Based on the 90-day VWAP ending on 19 October 2018 for UIL Energy of \$0.044 and Strike Energy of \$0.129.

REASON 6 NO SUPERIOR PROPOSAL HAS EMERGED TO DATE

As at the date of this Target's Statement, UIL Energy has not received any alternative proposal from any party intending to make a Superior Proposal.

Should such a proposal arise, your Directors will consider it carefully and inform you accordingly.

REASON 7 THERE ARE RISKS IN NOT ACCEPTING THE OFFERS

If the Offers are unsuccessful and no other offers emerge, UIL Energy's Share price may fall below the current trading price and liquidity levels, leaving UIL Energy Securityholders exposed to the ongoing risks associated with an investment in UIL Energy.

In particular:

- UIL Energy Securityholders will have full exposure to the exploration and potential development risk associated with UIL Energy's existing projects, and will not benefit from Strike Energy's exploration and development expertise; and
- there is a strong probability that UIL Energy will have to raise additional funds to meet its expenditure obligations and for general working capital purposes.

If you do not accept the Offers and the relevant Offer becomes unconditional:

- in the case of the Share Offer, liquidity in UIL Energy Shares may be significantly reduced or Strike West may be entitled to remove UIL Energy from the official list of the ASX; and
- in the case of both Offers and subject to Strike West obtaining a relevant interest in 90% of the relevant class of securities, Strike West may be entitled to compulsorily acquire your UIL Energy Shares and/or UIL Energy CPS (as the case may be). If this happens, you will receive the Offer Consideration at the end of the compulsory acquisition process. This means you will receive the Offer Consideration for your UIL Energy Shares and/or UIL Energy CPS (as the case may be) later than you would have received it if you had accepted the relevant Offer.

Further details on the risks associated with not accepting the Offers (including minority ownership consequences) are set out in section 10.3 of this Target's Statement.

If you retain your UIL Energy Securities, you will continue to be exposed to the risks associated with being a UIL Energy Securityholder. A non-exhaustive summary of such risks is set out in section 10.4 of this Target's Statement.

UIL Energy Securityholders should note that there are also risks associated with accepting the Offers. Details on the risks associated with accepting the Offers are contained in section 8 of the Bidder's Statement and sections 10.1 and 10.2 of this Target's Statement.

The UIL Energy Board unanimously recommends that you **ACCEPT** the Offers by Strike West (in the absence of a Superior Proposal).

CHAIRMAN'S LETTER

Dear UIL Energy Shareholders and UIL Energy CPS Holders

ACCEPT THE OFFERS (in the absence of a Superior Proposal)

I am writing to you in response to the off-market takeover bids announced by Strike West Holdings Pty Ltd (a wholly owned subsidiary of Strike Energy Limited) (**Strike Energy or Bidder**), to acquire all of the Shares and all of the Convertible Preference Shares (CPS) in UIL Energy.

This Target's Statement sets out your Directors' response to the Offers and contains their recommendation, reasons for that recommendation, and other important information you should consider when deciding whether to accept or reject the Offers.

Your Board has carefully considered:

- the Share Offer of 0.485 Strike Energy Shares for each UIL Energy Share; and
- the CPS Offer of 0.485 Strike Energy Milestone Options for each UIL Energy CPS,

and unanimously recommends that you **ACCEPT THE OFFERS (in the absence of a Superior Proposal)**.

The Directors believe that you should ACCEPT the Offers (in the absence of a Superior Proposal) because:

1. the Offers provide you with participation in the combined Strike Energy's West Erregulla prospect and UIL Energy's northern Perth Basin applications;
2. the Merged Group's portfolio provides for an attractive and strategic diversification across three project areas;
3. the Offers provides you with improved access to liquidity;
4. the Independent Expert has concluded that the Offers are fair and reasonable;
5. the Share Offer represents an attractive premium;
6. no Superior Proposal has emerged to date; and
7. there are risks in not accepting the Offers (refer sections 10.3 of this Target's Statement).

Your Board recommends that you read this Target's Statement (including the Independent Expert's Report) in its entirety and consider the Offers, having regard to your own personal risk profile, investment strategy and tax circumstances. To **ACCEPT** the Offers you should follow the instructions set out in section 2 of the Bidder's Statement.

If you are in doubt as to whether to accept or reject the Offers, you should seek your own independent professional advice.

On behalf of all Directors of UIL Energy, I thank you for your continued support.

Yours faithfully



SIMON HICKEY
EXECUTIVE CHAIRMAN
UIL ENERGY LIMITED

1. FREQUENTLY ASKED QUESTIONS ABOUT THE OFFERS

For the purposes of enabling you to understand some of the issues which arise during the process of a takeover bid, we have provided this question and answer guide.

This section is not intended to address all issues that may be relevant to you. This section should be read together with the rest of this Target's Statement.

Question	Answer	Further Information
1.1 What is this Target's Statement	This Target's Statement has been prepared by UIL Energy and provides UIL Energy's response to Strike West's Offers, including the recommendation of your Directors.	
1.2 Who is the Bidder?	Strike West Holdings Pty Ltd ACN 616 395 398, a wholly owned subsidiary of Strike Energy Limited ACN 078 012 745.	Section 7
1.3 What are the Offers?	<p>Strike West is offering to acquire all UIL Energy Shares for 0.485 Strike Energy Shares for each UIL Energy Share you hold (Share Offer).</p> <p>Strike West is also offering to acquire all UIL Energy CPS for 0.485 Strike Energy Milestone Options for each UIL Energy CPS you hold (CPS Offer).</p> <p>You may only accept the Share Offer in respect of your UIL Energy Shares and you may only accept the CPS Offer in respect of your UIL Energy CPS.</p> <p>Further information in relation to both the Share Offer and the CPS Offer is set out immediately below and also in section 2.</p>	Sections 2 and 3
1.4 What is the Share Offer?	<p>Strike West is offering 0.485 Strike Energy Shares for each UIL Energy Share you hold (Share Offer). You may accept the Share Offer only in respect of all, and not part, of the UIL Energy Shares that you hold.</p> <p>The Share Offer extends to UIL Energy Shares that come into existence because of the exercise of UIL Energy Options or the conversion of UIL Energy Performance Rights during the Offer Period.</p> <p>See section 2.3 for a detailed summary of the Share Offer Conditions.</p>	Section 2
1.5 What are the Conditions of the Share Offer?	The Share Offer is subject to the Share Offer Conditions, which are set out in detail in section 2.3 of this Target's Statement and more specifically in Schedule 1 of the Bidder's Statement.	Section 2.3
1.6 What is the CPS Offer?	Pursuant to the CPS Offer, Strike West is also offering 0.485 Strike Energy Milestone Options for each UIL Energy CPS you hold.	Section 3
1.7 What are the Conditions of the CPS Offer?	The CPS Offer is subject to Strike Energy having a relevant interest in at least 90% of the Shares and the Share Offer having become or been declared unconditional.	Section 3.3

Question	Answer	Further Information
<p>1.8 What are my alternatives?</p>	<p>As a UIL Energy Securityholder you have the following choices in respect of your UIL Energy Shares and/or UIL Energy CPS:</p> <ul style="list-style-type: none"> i. ACCEPT the Offer applicable to you (as recommended by the Directors in the absence of a Superior Proposal); ii. reject the Offer by doing nothing; or iii. in respect of your UIL Energy Shares only, sell your UIL Energy Shares on the ASX at the prevailing market price (unless you have previously accepted the Share Offer and you have not validly withdrawn your acceptance). <p>When deciding what to do, you should carefully consider the Directors' recommendation and other important considerations in this Target's Statement.</p>	<p>Section 5</p>
<p>1.9 What do the Directors recommend?</p>	<p>Your Directors unanimously recommend that you ACCEPT THE OFFERS (in the absence of a Superior Proposal). The reasons for this recommendation are set out in this Target's Statement.</p> <p>If there is a change in this recommendation or any other material developments in relation to the Offers, UIL Energy will lodge a supplementary Target's Statement.</p>	<p>Section 8</p>
<p>1.10 If I accept the Offers, can I withdraw my acceptance?</p>	<p>No. You cannot withdraw your acceptance unless a withdrawal right arises under the Corporations Act. Such a withdrawal right will arise if, after you have accepted the Offers, Strike Energy varies the Offers in a way that postpones, for more than one month, the time when Strike West has to meet its obligations under the Offers, and at that time, the Offers are subject to one of the Conditions.</p>	<p>Section 4.4</p>
<p>1.11 Can Strike West vary the Offers?</p>	<p>Yes, Strike West can vary the Offers by increasing the consideration or waiving the Conditions. The Directors do not know if Strike West will vary its Offers. Any such variation will be announced to the ASX.</p>	<p>Sections 2.8 and 3.8</p>
<p>1.12 When do the Offers close?</p>	<p>The Offers are scheduled to close at 7.00pm (Sydney time) on 30 November 2018 (unless extended or withdrawn). The Offer Period may also be automatically extended in certain circumstances.</p> <p>Strike Energy has agreed with UIL Energy under the TID that it will not extend the Offer Period beyond 15 March 2019 except in certain circumstances, including where the Share Offer has become or been declared unconditional and Strike Energy has voting power in UIL Energy of 50.1% or more.</p>	<p>Sections 2.2 and 3.2</p>
<p>1.13 What will happen if Strike West improves the consideration</p>	<p>If Strike West improves the consideration offered under the Offers, all UIL Energy Securityholders who have</p>	<p>Sections 2.8 and 3.8</p>

Question	Answer	Further Information
under the Offers?	accepted the relevant Offer will be entitled to the benefit of that improved consideration (whether they accepted the relevant Offer before or after the consideration is improved).	
1.14 What happens if I do nothing?	<p>Share Offer</p> <p>If you do not accept the Share Offer, you will retain your Shares and will not receive the Offer Consideration. Refer also to section 1.15 below.</p> <p>CPS Offer</p> <p>If you do not accept the CPS Offer, you will retain your CPS and will not receive the Offer Consideration. Refer also to section 1.15 below.</p>	Section 5.2
1.15 Can I be forced to sell my UIL Energy Shares or UIL Energy CPS?	<p>Share Offer</p> <p>If Strike West obtains sufficient acceptances from other UIL Energy Shareholders to give it a relevant interest in 90% or more of the total number of UIL Energy Shares, Strike West may compulsorily acquire your UIL Energy Shares. If this happens, you will receive the Offer Consideration at the end of the compulsory acquisition process. This means you will receive the Offer Consideration for your UIL Energy Shares later than you would have received it if you had accepted the Share Offer.</p> <p>CPS Offer</p> <p>If Strike West obtains sufficient acceptances from other UIL Energy CPS Holders to give it a relevant interest in 90% or more of the total number of UIL Energy CPS, Strike West may compulsorily acquire your UIL Energy CPS. If this happens you will receive the Offer Consideration at the end of the compulsory acquisition process. This means you will receive the Offer Consideration for your UIL Energy CPS later than you would have received it if you had accepted the CPS Offer.</p>	Section 5.2
1.16 How many Shares does Strike West hold in UIL Energy?	In its Bidder's Statement, Strike West states that as at the date of the Bidder's Statement and immediately before the first Offer was sent, that neither it nor any of its Associates held a relevant interest, any voting power or any other interest in any UIL Energy Shares.	Section 11.2
1.17 How do I accept the Offers?	<p>If you choose to accept the Offers, how you accept the Offers will depend on whether your UIL Energy Shares and UIL Energy CPS are in an Issuer Sponsored Holding or a CHESS Holding:</p> <p>i. if you hold your UIL Energy Shares or UIL Energy CPS in an Issuer Sponsored Holding (your Securityholder Reference Number will begin with "I"), you must complete the Acceptance Form in accordance with the instructions on it and return it to the address on</p>	Section 5.1

Question	Answer	Further Information
	<p>the Acceptance Form so that it is received before 7.00pm (Sydney time) on the last day of the Offer Period; or</p> <p>ii. if you hold your UIL Energy Shares in a CHESS Holding (your Holder Identification Number will begin with "X") either contact your Controlling Participant (usually your Broker) and instruct them to accept the Offer on your behalf, or complete the Acceptance Form in accordance with the instructions on it and return it to the address on the Acceptance Form.</p> <p>Full details of how to accept the relevant Offer are set out in section 2 of the Bidder's Statement.</p> <p>If you are a Controlling Participant, acceptance of the Share Offer must be initiated in accordance with rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.</p>	
<p>1.18 What happens if I accept the Offers?</p>	<p>If you accept the Offers while they are still conditional, unless withdrawal rights are available, you will not be able to:</p> <p>i. sell your UIL Energy Shares accepted under the Offer on ASX (that is, you will not be able to settle the trade using those UIL Energy Shares);</p> <p>ii. sell your UIL Energy Shares or UIL Energy CPS accepted under the Offers to any other bidder that may make a takeover offer; and</p> <p>iii. otherwise deal with your UIL Energy Shares or UIL Energy CPS accepted under the Offers while the Offers remain open.</p> <p>If the Conditions are not satisfied or waived and the Offer lapses, all contracts resulting from acceptance of the Offer will be void and you will be free to deal with your UIL Energy Securities accepted under the Offers.</p>	<p>Sections 2.6 and 3.6</p>
<p>1.19 Can Strike West withdraw the Offers?</p>	<p>Yes, but only in limited circumstances with the consent of ASIC.</p>	
<p>1.20 Can I accept the Share Offer for less than all of my UIL Energy Shares and/or UIL Energy CPS?</p>	<p>No, you can only accept for all of your UIL Energy Shares and/or UIL Energy CPS.</p>	
<p>1.21 What are the tax implications of accepting the Offer?</p>	<p>There may be tax implications from the sale of your UIL Energy Shares and/or UIL Energy CPS.</p> <p>You should obtain independent advice from your professional advisor or tax advisor in this regard. Section 9 of the Bidder's Statement specifies possible tax implications for UIL Energy Shareholders and UIL Energy CPS Holders arising from the Offer.</p>	<p>Sections 4.6 and 10.1</p>

Question	Answer	Further Information
1.22 Will I need to pay stamp duty if I accept the Offers?	The Bidder's Statement says that UIL Energy Shareholders and UIL Energy CPS Holders will not pay any stamp duty on accepting the Offers.	
1.23 What if I have other questions about the Offers?	Please email info@uilenergy.com or call UIL Energy on 07 3007 9600 for callers within Australia or on +61 7 3007 9600 for callers outside Australia from Monday to Friday between 8.30am to 5.00pm (Brisbane time)	Section 5.4
1.24 What if I want to sell my UIL Energy Shares on-market?	<p>During the Offer Period, you may sell your UIL Energy Shares on market for cash (less brokerage), provided you have not accepted the Offer for those UIL Energy Shares. If you have already accepted the Share Offer, you will be unable to settle any subsequent on-market sale of your UIL Energy Shares, unless you become entitled to withdraw your acceptance.</p> <p>You should contact your Broker for information on how to sell your UIL Energy Shares on ASX and your tax adviser to determine your tax implications of such a sale.</p>	Section 5.3
1.25 When will I receive my consideration if I accept the Offers?	<p>If you accept the Share Offer or the CPS Offer and that Offer becomes unconditional, Strike West will issue the Strike Energy Shares or Strike Energy Milestone Options (as applicable) to you on or before the earlier of:</p> <ol style="list-style-type: none"> <li data-bbox="469 1084 1166 1240">i. the date that is one month after the date of your acceptance, or if at the time of your acceptance the Offer is still subject to one or more Conditions, the date that is one month after the Share Offer becomes unconditional; and <li data-bbox="469 1249 1166 1283">ii. 21 days after the end of the Offer Period. <p>Full details regarding the consideration for your Shares and CPS are set out in Schedule 1 and Schedule 2 respectively of the Bidder's Statement.</p>	Sections 2.7 and 3.7

2. KEY TERMS OF THE SHARE OFFERS

2.1 SUMMARY OF THE SHARE OFFER

On 22 October 2018, UIL Energy and Strike Energy jointly announced that they had entered into the TID under which Strike Energy agreed to make the Share Offer and CPS Offer. Under the Share Offer, Strike West (a wholly owned subsidiary of Strike Energy) is offering 0.485 Strike Energy Shares for each UIL Energy Share you hold. The terms and conditions of the Share Offer are set out in Schedule 1 of the Bidder's Statement.

2.2 OFFER PERIOD

The Share Offers will remain open for acceptance until 7.00pm (Sydney time) on the Closing Date, unless extended under the Corporations Act or withdrawn with the written consent of ASIC under the Corporations Act.

Under the TID, Strike West must not extend the Offer Period in respect of the Share Offers beyond 15 March 2019 without the prior written consent of UIL Energy, unless:

- the Minimum Acceptance Condition (set out in paragraph 8(b) of Schedule 1 of the Bidder's Statement) has been satisfied and the Share Offers have become or been declared unconditional;
- a competing proposal is publicly announced and has not been withdrawn or lapsed; or
- an application has been made to the Takeovers Panel in respect of the affairs of UIL Energy that has not been determined.

2.3 CONDITIONS OF THE SHARE OFFER

The Share Offers are subject to a number of Conditions. The Share Offer Conditions are set out in paragraph 8 of Schedule 1 of the Bidder's Statement and are summarised below:

Share Offer Conditions

Subject to paragraph 9 of Schedule 1 of the Bidder's Statement, the Share Offer, and any contract resulting from your acceptance of the Share Offer, remains subject to the following Share Offer Conditions as at the date of this Target's Statement:

(a) **Minimum acceptance**

At or before the end of the Offer Period, Strike West has a relevant interest in the number of Shares that represents at least 50.1% of the aggregate of all the Shares on issue (on a Fully Diluted Basis).

(b) **No regulatory intervention**

Between the Announcement Date and the end of the Offer Period (each inclusive):

- there is not in effect any preliminary or final decision, order or ruling issued by any Government Agency;
- no application is made to any Government Agency (other than by Strike West or any Associate of Strike West); and

-
- no action or investigation is commenced or threatened by any Government Agency in connection with the Share Offer,

which could reasonably be expected to:

- restrain, impede or prohibit or otherwise have a material adverse effect on the making of the acquisition by Strike West of Shares or any other transaction contemplated by the Bidder's Statement (including implementation of Strike West's intentions expressed in the Bidder's Statement); or
- require Strike West to divest any Shares or any member of the Strike Energy Group or the UIL Energy Group to divest any material asset,

other than an application to or a determination by ASIC or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act.

(c) No prescribed occurrences

During the Offer Period, none of the following events occurs:

- UIL Energy converts all or any of its Shares into a larger or smaller number of Shares;
- any member of the UIL Energy Group resolves to reduce its share capital in any way;
- any member of the UIL Energy Group enters into an agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- any member of the UIL Energy Group issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option (except for any issue of Shares before the Register Date pursuant to the conversion of convertible securities or the exercise of UIL Energy Options or UIL Energy Performance Rights where the existence of those convertible securities, UIL Energy Options or UIL Energy Performance Rights has been disclosed to ASX before the Announcement Date);
- any member of the UIL Energy Group issues or agrees to issue, convertible notes;
- any member of the UIL Energy Group disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- any member of the UIL Energy Group grants or agrees to grant a security interest (as defined in section 51A of the Corporations Act) in the whole, or a substantial part, of its business or property;
- any member of the UIL Energy Group resolves to be wound up;
- a liquidator or provisional liquidator of any member of the UIL Energy Group is appointed;
- a court makes an order for the winding up of any member of the UIL Energy Group;
- an administrator of any member of the UIL Energy Group is appointed under section 436A, 436B or 436C of the Corporations Act;

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- any member of the UIL Energy Group executes a deed of company arrangement; or
 - a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any member of the UIL Energy Group.

(d) **Index fall**

Between the Announcement Date and the end of the Offer Period (each inclusive), the S&P/ASX 200 Index does not close 10% or more below the closing level on the Announcement Date for 5 or more consecutive Trading Days.

(e) **No litigation**

Between the Announcement date and the end of the Offer Period (each inclusive):

- no litigation or similar proceeding against UIL Energy which may reasonably be expected to result in a judgement of more than \$250,000 is commenced, threatened, announced or made known to Strike West or UIL Energy; and
- no litigation or similar proceeding against UIL Energy which in aggregate may reasonably be expected to result in judgements of more than \$500,000 is commenced, threatened, announced or made known to Strike West or UIL Energy,

other than that which is in the public domain as at the Announcement Date and other than as disclosed in:

- the written information and documents made available to Strike West or its Representatives on or before 21 October 2018; and
- the written answers or written confirmations provided to Strike West or its Representatives on or before 21 October 2018 in response to requests for information, copies of which have been compiled and initialled for the purposes of identification by Representatives of Strike West and UIL Energy.

(f) **No material breach of TID**

Between the Announcement Date and the end of the Offer Period (each inclusive), Strike Energy does not become entitled to terminate the TID in under clause 10.1(a)(i) or 10.1(a)(ii) of the TID as a result of a breach by UIL Energy of clause 4.4 (prohibited actions) or clause 8.1 (Target Warranties) of the TID.

2.4 NOTICE OF STATUS OF CONDITIONS

Strike Energy has indicated in paragraph 9(f) of Schedule 1 of the Bidder's Statement that it will give a notice on the status of the Conditions on 22 November 2018.

The Corporations Act requires that such notice state:

- whether the Offer is free from Conditions;
- whether the Conditions have been fulfilled as at the date of the notice; and
- the voting power of Strike West in UIL Energy.

If the Offer Period is extended before the date the notice is required to be given, the date that Strike West must give its notice is taken to be postponed for the same period. In this case, Strike Energy is required, as soon as reasonably practicable after the extension, to notify UIL Energy and ASX of the new date for giving the notice.

If a Condition is fulfilled (so that the Offer becomes free of that Condition) during the Offer Period but before the date on which the notice of status of conditions is required to be given, Strike West must, as soon as reasonably practicable, give UIL Energy and ASX a notice that states that the particular Condition has been fulfilled.

On 31 October 2018, Strike West gave notice to UIL Energy and ASX that the Capital Raising Condition had been fulfilled.

2.5 CONSEQUENCES IF CONDITIONS ARE NOT SATISFIED

Your acceptance of the Share Offer, and any contract resulting from your acceptance of the Share Offer, will be automatically void if at the end of the Offer Period the Share Offer Conditions have not been fulfilled or waived. In that situation, you will be free to deal with the relevant UIL Energy Securities as you see fit.

2.6 EFFECT OF ACCEPTANCE

The effect of acceptance of the Share Offer is set out in paragraph 6 of Schedule 1 of the Bidder's Statement. You should read those sections in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your UIL Energy Securities and the representations and warranties which you give by accepting the Share Offer.

2.7 PAYMENT OF CONSIDERATION

Strike West has set out in paragraph 7 of Schedule 1 of the Bidder's Statement the timing of the provision of the consideration to holders of Shares who accept the Share Offer. In general terms, if you accept the Share Offer and the contract resulting from your acceptance of the Share Offer becomes unconditional, you will receive the consideration to which you are entitled under the Share Offer on or before the earlier of:

- (a) the day that is one month after the date of your acceptance or, if at the time of your acceptance the Share Offer is subject to any Share Offer Condition, one month after the Share Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

2.8 CHANGES TO THE SHARE OFFERS

Strike West can vary the Share Offer by:

- (a) waiving the Share Offer Conditions (subject to the Corporations Act and the TID);
- (b) extending the relevant Offer Period (subject to the Corporations Act and the TID); or
- (c) increasing the consideration offered under the Share Offer.

If you accept an Offer and Strike West subsequently increases the consideration offered in respect of that Offer, you are entitled to receive the improved consideration.

Strike Energy has agreed with UIL Energy under the TID that it will not extend the Offer Period beyond 15 March 2019 except in certain circumstances, including where the Share Offer has become or been declared unconditional and Strike Energy has voting power in UIL Energy of 50.1% or more.

3. KEY TERMS OF THE CPS OFFERS

3.1 SUMMARY OF THE CPS OFFERS

On 22 October 2018, UIL Energy and Strike Energy jointly announced that they had entered into the TID under which Strike Energy agreed to make the Share Offer and CPS Offer. Under the CPS Offer, Strike West, a wholly owned subsidiary of Strike Energy, is offering 0.485 Strike Energy Milestone Options for each UIL Energy CPS you hold.

The terms and conditions of the CPS Offer are set out in Schedule 2 of the Bidder's Statement.

The full terms and conditions of the Strike Energy Milestone Options are set out in Schedule 3 of the Bidder's Statement.

3.2 OFFER PERIOD

The CPS Offer will remain open for acceptance during the period starting on the date of the CPS Offer and ending at 7.00pm (Sydney time) on the Closing Date, unless:

- Strike West extends the Offer Period in accordance with the Corporations Act or the Offer Period is automatically extended, in which case the Offer will remain open for acceptance until the end of the Offer Period as so extended; or
- the Offer is withdrawn in accordance with the Corporations Act before the end of the Offer Period.

3.3 CPS OFFER CONDITION

The CPS Offers are subject to the CPS Offer Condition. The CPS Offer Condition is set out in paragraph 8 of Schedule 2 of the Bidder's Statement.

Subject to paragraph 9 of Schedule 2 of the Bidder's Statement, the CPS Offer and any contract that results from your acceptance of the CPS Offer, is subject to Strike Energy having a relevant interest in at least 90% of UIL Energy's Shares and the Share Offers having become or been declared unconditional.

3.4 NOTICE OF STATUS OF CONDITIONS

Strike Energy has indicated in paragraph 9(e) of Schedule 2 of the Bidder's Statement that it will give a notice on the status of the CPS Offer Condition on 22 November 2018.

The Corporations Act requires that such notice state:

- whether the Offer is free from CPS Offer Condition;
- whether the CPS Offer Condition has been fulfilled as at the date of the notice; and
- the voting power of Strike West in UIL Energy.

If the Offer Period is extended before the date the notice is required to be given, the date that Strike West must give its notice is taken to be postponed for the same period. In this case, Strike Energy is required, as soon as reasonably practicable after the extension, to notify UIL Energy and ASX of the new date for giving the notice.

If the CPS Offer Condition is fulfilled (so that the CPS Offer becomes free of that CPS Offer Condition) during the Offer Period but before the date on which the notice of status of the CPS Offer Condition is required to be given, Strike West must, as soon as reasonably practicable, give UIL Energy and ASX a notice that states that the CPS Offer Condition has been fulfilled.

3.5 CONSEQUENCES IF THE CPS OFFER CONDITION IS NOT SATISFIED

Your acceptance of the CPS Offer, and any contract resulting from your acceptance of the CPS Offer, will be automatically void if at the end of the Offer Period the CPS Offer Condition has not been fulfilled or waived. In that situation, subject to their terms of issue, you will be free to deal with the relevant UIL Energy Securities as you see fit.

3.6 EFFECT OF ACCEPTANCE

The effect of acceptance of the CPS Offer is set out in paragraph 6 of Schedule 2 of the Bidder's Statement. You should read those sections in full to understand the effect that acceptance will have on your ability to exercise the rights attaching to your UIL Energy Securities and the representations and warranties which you give by accepting the CPS Offer.

3.7 PAYMENT OF CONSIDERATION

Strike West has set out in paragraph 7 of Schedule 2 of the Bidder's Statement, the timing of the provision of the consideration to holders of CPS who accept the CPS Offer. In general terms, if you accept the CPS Offer and the contract resulting from your acceptance of the CPS Offer becomes unconditional, you will receive the consideration to which you are entitled under the CPS Offer on or before the earlier of:

- (a) the day that is one month after the date of your acceptance or, if at the time of your acceptance the CPS Offer is subject to the CPS Offer Condition, one month after the CPS Offer becomes unconditional; and
- (b) 21 days after the end of the Offer Period.

3.8 CHANGES TO THE CPS OFFERS

Strike West can vary the CPS Offer by:

- (a) waiving the Condition to the CPS Offer (subject to the Corporations Act);
- (b) extending the relevant Offer Period (subject to the Corporations Act and the TID); or
- (c) increasing the consideration offered under the CPS Offer.

If you accept an Offer and Strike West subsequently increases the consideration offered in respect of that Offer, you are entitled to receive the improved consideration.

4. INFORMATION APPLICABLE TO BOTH OFFERS

4.1 THE OFFERS ARE UNANIMOUSLY RECOMMENDED BY THE UIL ENERGY DIRECTORS

The UIL Energy Directors unanimously recommend that UIL Energy Securityholders accept the Offers in the absence of a Superior Proposal.

4.2 DIRECTORS' INTENTIONS IN RELATION TO THE OFFERS

Each Director intends to accept, or procure the acceptance of, the Offer in respect of all Shares and CPS held or controlled by him, including any Shares issued on exercise of any Options or conversion of any Performance Rights on the date that is the later of:

- (a) 21 days after the Offers have opened for acceptance; and
- (b) 5 days after the despatch of this Target's Statement,

in the absence of a Superior Proposal.

4.3 INTENTIONS OF STRIKE WEST

Please refer to section 7 of the Bidder's Statement for a summary of Strikes West's intentions in respect of UIL Energy following the Offers.

4.4 EFFECT OF ACCEPTING THE OFFERS AND RIGHTS OF WITHDRAWAL

Accepting the Offers would (subject to the withdrawal rights discussed below):

- (a) prevent you from accepting any higher takeover bid that may be made by a Third Party or any alternative transaction proposed that may be recommended by the UIL Energy Board;
- (b) relinquish control of your UIL Energy Securities to Strike West with no guarantee of the provision of consideration until the Offers become, or are declared, unconditional - as the Offer Period can be extended by Strike West (subject to the terms of the TID), this could result in further delays in the provision of consideration to you; and
- (c) give Strike West the option to keep your UIL Energy Securities if the Conditions of the Offers are not satisfied (i.e. by waiving the Conditions), in which case you will still receive the Offer Consideration.

If you accept the Offers, you will have a right to withdraw your acceptance in limited circumstances. Those withdrawal rights comprise general statutory withdrawal rights under the Corporations Act. In summary:

- (a) under the Corporations Act, you may withdraw your acceptance of an Offer if Strike West varies that Offer in a way that postpones, for more than one month, the time when Strike West needs to meet its obligations under the Offer and the Offer is still subject to one or more Conditions. This will occur if Strike West extends the relevant Offer Period by more than one month while the Offer is still subject to any of the Conditions; and

-
- (b) in those circumstances, you will have one month after the date that notice of the extension is given to UIL Energy to withdraw your acceptance. Your statutory withdrawal rights will terminate on the expiry of that one month, although if the Offer Period is then further extended you may receive further statutory withdrawal rights.

If you become entitled to withdraw your acceptance, you will be sent a notice from Strike West, explaining your rights in this regard.

4.5 INELIGIBLE FOREIGN SHAREHOLDERS

If your address on the register of UIL Energy Shares is in a jurisdiction other than Australia and its external territories and Singapore you will be considered to be an Ineligible Foreign UIL Energy Shareholder.

Ineligible Foreign UIL Energy Shareholders are entitled to accept the Share Offer in the same way as other Shareholders, but you will not be entitled to receive Strike Energy Shares. Instead, the Strike Energy Shares to which you would otherwise be entitled will be issued to a Nominee who will sell those shares on the ASX and provide you with the net sale proceeds.

If you are an Ineligible Foreign UIL Energy Shareholder, you should refer to paragraph 14 of Schedule 1 of the Bidder's Statement for further details.

4.6 TAXATION CONSEQUENCES

In making a decision whether to accept the Offers, UIL Energy Securityholders should also have regard to the fact that the disposal of UIL Energy Securityholders may have taxation consequences. UIL Energy Securityholders should carefully read and consider the potential Australian taxation consequences of accepting the Offers as set out in section 9 of the Bidder's Statement.

5. YOUR CHOICES AS A UIL ENERGY SECURITYHOLDER

Your Directors unanimously recommend that you accept the Offers (in the absence of a Superior Proposal).

As a UIL Energy Securityholder you can respond to the Offers in three ways.

5.1 ACCEPT THE OFFERS

To accept the Offers, follow the instructions set out in section 2 of the Bidder's Statement.

In summary:

If you choose to accept the Offer, how you accept the Offer will depend on whether your UIL Energy Shares are in an Issuer Sponsored Holding or a CHESS Holding:

- (a) if your UIL Energy Shares or your UIL CPS are held in an Issuer Sponsored Holding (your Securityholder Reference Number will begin with "I"), you can accept the Offer by completing and signing the Acceptance Form in accordance with the instructions on the form, and returning it (together with all documents required by the instructions on it) so that it is received at the address shown on the Acceptance Form before the end of the Offer Period.
- (b) if you hold your UIL Energy Shares in a CHESS Holding (your Holder Identification Number will begin with "X") you can accept the Offers by instructing your Controlling Participant to accept the Offers on your behalf before the end of the Offer Period. Usually your Controlling Participant is a person, such as a stockbroker, with whom you have a sponsorship agreement within the meaning of the ASX Settlement Operating Rules. Alternatively, you can accept the Offer by completing and signing the Acceptance Form in accordance with the instructions on the form, and returning it (together with all documents required by the instructions on it) so that it is received at the address shown on the Acceptance Form in sufficient time for Strike West to instruct your Controlling Participant to accept the Offers on your behalf before the end of the Offer Period.

UIL Energy Securityholders should specifically refer to the risks set out in sections 10.1 and 10.2 of this Target's Statement.

5.2 REJECT THE OFFERS

If you wish to reject the Offers you need not take any action. If you decide to do nothing, you should be aware of the rights of Strike West to compulsorily acquire your Shares and CPS in certain circumstances.

If Strike West acquires a relevant interest in at least 90% of the Shares during or at the end of the Offer Period, Strike West has indicated that it intends to compulsorily acquire the Shares in which it has not acquired a relevant interest. In that situation, you may receive consideration for your Shares later than UIL Energy Shareholders who accept the Share Offer.

If Strike West acquires a relevant interest in at least 90% of the CPS during or at the end of the Offer Period, Strike West has indicated that it intends to compulsorily acquire the CPS in which it has not acquired a relevant interest. In that situation, you may receive consideration for your Strike Energy Milestone Options later than UIL Energy CPS Holders who accept the CPS Offer.

UIL Energy Securityholders should specifically refer to the risks set out in sections 10.3 and 10.4 of this Target's Statement.

5.3 SELL YOUR UIL ENERGY SHARES ON THE ASX

During the Offer Period, you can still sell some or all of your Shares on market for cash if you have not already accepted the Share Offer in respect of those Shares.

The latest price for UIL Energy Shares may be obtained from the ASX website www.asx.com.au (ASX:UIL).

If you sell your Shares on market you:

- (a) will lose the ability to accept the Share Offer and any higher offer in respect of those Shares (which may or may not eventuate);
- (b) will lose the opportunity to receive future returns from UIL Energy;
- (c) may be liable for CGT on the sale; and
- (d) may incur a brokerage charge.

5.4 ENQUIRIES

If you have any queries in relation to the Offers, you should contact your financial, legal or other professional adviser.

6. INFORMATION ABOUT UIL ENERGY

6.1 INTRODUCTION

UIL Energy is a company limited by shares that is incorporated and domiciled in Australia. It is an Australian oil and gas company targeting conventional and unconventional plays to provide domestic gas supply to industrial and resource companies. UIL Energy's project footprint is currently focused on the Perth basin and the West Coast Australian gas market.

UIL Energy maintains a 100% equity position and operatorship in all of its permits, which provides maximum flexibility in the development of potential farm-out and funding arrangements.

6.2 OPERATIONS

Perth Basin

UIL Energy has Perth Basin prospects in two separate project areas including pipeline infrastructure covering a footprint in the Perth Basin of over 700,000 acres.

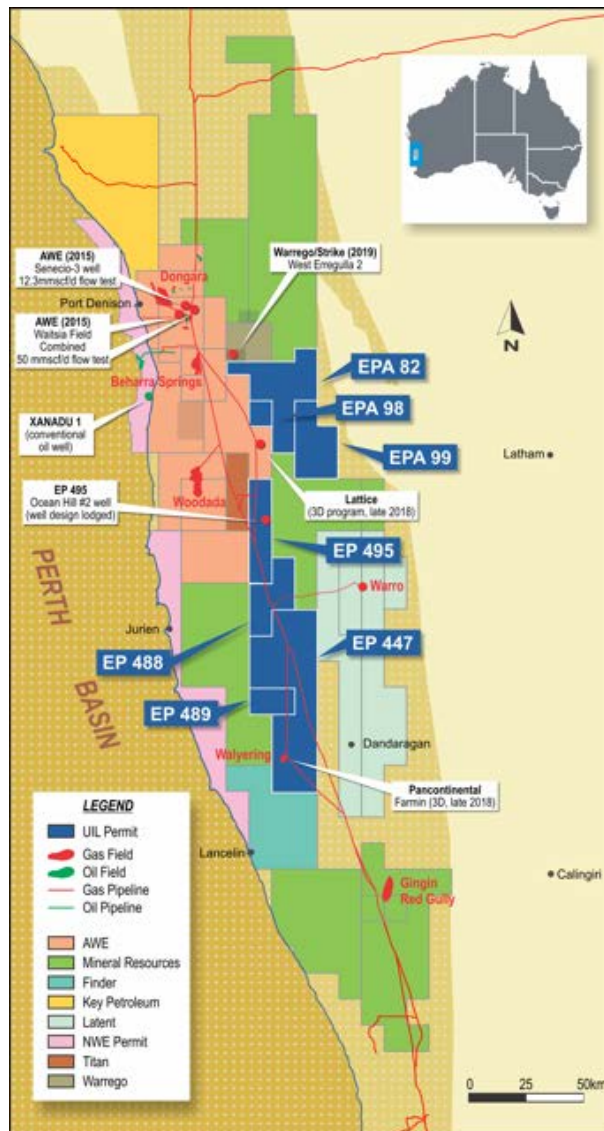


Figure 1 - Perth Basin Industry Activities

Ocean Hill Prospect

UIL Energy, as operator and 100% owner of the Ocean Hill prospect, is planning to undertake the next stage exploration and appraisal program that includes a 3D seismic program covering both Ocean Hill and Ocean Hill South prospects and drilling of the Ocean Hill-2 well within the EP 495 permit. The Ocean Hill-2 well is designed to test the hydrocarbon productivity of the gas-bearing Jurassic Cadda Formation and the Cattamarra Coal Measures.

The Ocean Hill prospect includes the Ocean Hill #1 well which was drilled in 1991 using drilling technology of that time. The well intersected in excess of 800 metres of gas shows and recorded an initial flow of over 700Mcf/d with no stimulation and reportedly recovered 17 barrels of condensate.

The environmental plan to conduct the 3D seismic survey is currently under review by the Department of Mines, Industry Regulation and Safety (DMIRS).

Walyering Prospect

A Farm-in Agreement and Joint Operating Agreement has been executed with Pancontinental Ltd, formerly Bombora Natural Gas Pty Ltd, for Pancontinental to earn a 70% working interest and right to operate in the Walyering project area within UIL Energy's 100% owned EP 447 permit.

Pancontinental is focusing on the evaluation of the previously discovered Walyering Gas Field, where 3 of 4 historical wells encountered gas within multiple Jurassic age sands, with the best-tested unstimulated zone flowing initially at 13.5MMcf/d. The environmental plan to conduct the 3D seismic survey is currently under review by the Department of Mines, Industry Regulation and Safety (DMIRS).

Pancontinental has continued with efforts under the Farm-in Agreement and advanced the required approvals for the 3D seismic program with an aim to shoot the program during the first quarter 2019 in conjunction with other 3D seismic programs in the basin.

Coomallo East Prospect

Located mostly in EP 447 to the east of the Coomallo-1 well, the Coomallo prospect is an up-thrown fault closure and, as mapped at the Top Eneabba horizon, has an aerial closure of 3,716 hectares and vertical closure of 540 metres. UIL Energy is assessing a potential seismic program over the Coomallo East prospect.

Northern Perth Applications

UIL Energy has 100% ownership of three applications, EPA 82, EPA 98 and EPA 99 located in the northern Perth Basin where significant activity is scheduled over the coming year.

During 2018, UIL Energy reached in-principle agreement with the native title party on commercial terms for the grant of the three northern Perth Basin applications. The parties will now aim to finalise a draft ancillary agreement to enable granting of these applications.

On the northern boundary of UIL Energy's applications, Strike Energy has announced a farm-in to the Warrego project (EP 469) highlighting the potential in the area with an announced best estimate prospective resources of 884 PJ. The testing of this prospect with the West Erregulla-2 well is planned for first quarter 2019.

Adjacent to UIL Energy's applications, Beach Energy is also aiming to shoot over 200km² of 3D seismic this year on EP 320. Beach Energy is looking to enhance the mapping of the conventional gas formations and the potential deep Permian aged Kingia-High Cliff formations that are the highly productive non-stimulated reservoirs containing the giant Waitsia gas discovery.

6.3 OVERVIEW OF ASSETS

UIL Energy's interests in granted permits and permits under application are listed in the table below.

Tenure Type, Name and Number	Basin	Operator	% Interest of UIL Energy Group
EP 447 ⁴	Perth	UIL Energy	100%
EP 488	Perth	UIL Energy	100%
EP 489	Perth	UIL Energy	100%
EP 495	Perth	UIL Energy	100%
EPA 82 ⁵	Perth	UIL Energy	100%
EPA 98 ⁵	Perth	UIL Energy	100%
EPA 99 ⁵	Perth	UIL Energy	100%

6.4 PROSPECTIVE RESOURCES

UIL Energy has 1,477PJ of Best Estimate Prospective Recoverable Gas Resources as set out below:

Project Area	Permit/s	Best Estimate Prospective Recoverable Gas Resources
Ocean Hill South and other leads	EP 495	809PJ ⁶
Basin Centred Gas Accumulation	EP 447, EP 488 and EP 489	328PJ ⁷
Coomallo East prospect	EP 447 and EP 488	277PJ ⁸
Walyearing prospect	EP 447	63PJ ⁹
Total Prospective Resources		1,477PJ

⁴ During the 2017 financial year UIL Energy announced that it had entered into a Farm-In Agreement and Joint Operating Agreement with Pancontinental Ltd (ASX:PCL), formerly Bombora Natural Energy Pty Ltd. Under the FIA, Pancontinental can earn a 70% interest and right to operate in four graticular blocks within EP 447, by funding and completing 100% of the cost of preparation, acquisition, processing and interpretation of the farm-in 3D seismic survey.

⁵ The application areas are subject to Native Title Claim(s) and accordingly the provisions of the Commonwealth Native Title Act must be complied with before the applications can be granted. During the year UIL Energy announced that it had reached in-principle agreement with the native title party on commercial terms for the grant of the three northern Perth Basin applications.

⁶ Source of estimate: ASX Announcement of Greenrock Energy Limited (ASX:GRK) dated 4 October 2013 titled "Ocean Hill Independent Resource Certification". UIL Energy is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

⁷ Source of estimate: Independent Geologist's Report produced by McDaniel & Associates Consultants Ltd, dated 11 July 2014 and made public in UIL Energy's initial offering prospectus dated 19 August 2014 (refer ASX Announcement of UIL Energy (ASX:UIL) dated 29 August 2014 titled "UIL Energy Ltd - Prospectus"). UIL Energy is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

⁸ Source of estimate: Independent estimate produced by Saitta Petroleum Consultants Pty Ltd, dated 18 March 2017 and made public dated 31 October 2017 titled "Quarterly Activities Report" (refer to ASX announcement of UIL Energy (ASX:UIL)). UIL Energy is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

⁹ Source of estimate: ASX Announcement of Pancontinental Oil & Gas NL (ASX:PCL) dated 16 May 2018 titled "Gas & Condensate Resource Upgrade at Walyearing Gas Field". UIL Energy is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

6.5 CONTINGENT RESOURCES

UIL Energy has 360PJ of 2C Contingent Resources as set out below:¹⁰

Project Area	Permit/s	1C Contingent Resources	2C Contingent Resources	3C Contingent Resources
Ocean Hill	EP 495	24Bcf	360Bcf	796Bcf

¹⁰ Source of estimate: ASX Announcement of Greenrock Energy Limited (ASX:GRK) dated 4 October 2013 titled "Ocean Hill Independent Resource Certification". UIL Energy is not aware of any new information or data that materially affects the information included in the relevant market announcement and that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

6.6 DIRECTORS

Simon Hickey

**B.Com, Grad Dip Applied Finance & Investment
Executive Chairman (appointed 21 September 2011)**

Simon Hickey is the founder and Chairman of UIL Energy.

He has over 20 years experience in the resources industry and has been a director of several ASX and TSX listed companies. In addition to his experience with public companies, Simon has established a number of successful private businesses in Australia and North America.

Mr Hickey has a Bachelor of Commerce and a Graduate Diploma of Applied Finance and Investment. He is also a member of the Australian Institute of Company Directors.

Mr Hickey has not served as a Director of any other ASX listed Company during the past three years.

John de Stefani

**B.Bus, MBA
Chief Executive Officer and Managing Director (appointed as a Director, 11 Jan 2012)**

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

Prior to joining UIL Energy, Mr de Stefani was CEO of Bow Energy Ltd during market cap growth phase of \$50m to \$550m and subsequently acquired by Arrow Energy in January 2012. Prior to Bow, he spent over eight years as GM/Director of an expanding power generation business.

Mr de Stefani is a chartered accountant with over 20 years of business experience. He has a proven successful track record in project finance, business development and asset management with over eight years international energy experience working on projects in the US, UK, Egypt, and Turkey.

Mr de Stefani has a Bachelor of Business from the Queensland University of Technology and a MBA from the London Business School. He is a member of the Institute of Chartered Accountants of Australia and the Australian Institute of Company Directors.

Mr de Stefani has not served as a Director of any other ASX listed Company during the past three years.

Keith Skipper

**B.Sc. Hons (Geology), M.Sc. (Geology)
Non-Executive Director (appointed 4 November 2011)**

Keith Skipper is a geologist, company executive and corporate Non-Executive Director with over 40 years of diverse industry experiences. He holds a B.Sc. (Hons) degree in geology from Reading University (U.K.) and a M.Sc. (Geology) from McMaster University (Ontario, Canada).

Mr Skipper is a member of various professional associations including the Australian Institute of Company Directors, the American Association of Petroleum Geologists, the Petroleum Exploration Society of Australia and a registered Professional Geologist in Alberta, Canada.

He is an Australian citizen whose career experiences include evaluations and operations in many of the world's petroleum basins including periods with AMOCO (subsequently acquired by BP) in Calgary (Canada), Chicago (USA), and Tokyo (Japan); Bridge Oil Limited in Sydney (Australia); PanCanadian Petroleum Limited (now part of EnCana), and Antrim Energy Inc. in Calgary (Canada) in technical, managerial and executive roles. Mr Skipper advises and consults to various academic, financial and corporate entities on oil and gas exploration, including coal seam gas ("CSG") and shale resource projects.

During the past three years, Mr Skipper has also served as a Director of the following ASX listed companies:

- Samson Oil and Gas Ltd (resigned 29 October 2015)

Stephen Bizzell
B.Comm, MAICD
Non-Executive Director (appointed 1 August 2014)

Stephen Bizzell is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd.

Mr Bizzell was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for \$3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also a founding Director of Bow Energy Ltd until its \$550 million takeover.

Mr Bizzell qualified as a Chartered Accountant and early in his career was employed in the Corporate Finance division of Ernst & Young and the Corporate Tax division of Coopers & Lybrand. He has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions. He has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada with various public companies.

Mr Bizzell is a member of the Audit and Risk Management Committee.

During the past three years, Mr Bizzell has also served as a Director of the following ASX listed companies:

- Armour Energy Ltd*
- Diversa Ltd (resigned 6 October 2016)
- Stanmore Coal Ltd*
- Renascor Resources Ltd (formerly Renaissance Uranium Ltd)*
- Laneway Resources Limited (formerly Renison Consolidated Mines NL)*
- Aumake International Ltd (formerly Augend Ltd and Titan Energy Services Ltd - resigned 14 April 2016)

* Denotes current Directorship

Garry Marsden
B.Sc Hons (Applied Geology), GAICD
Non-Executive Director (appointed 23 September 2016)

Garry Marsden is a geologist, Consultant and Company Director with 35 years of executive experience in the oil and gas and corporate finance industry.

In executive roles, Mr Marsden has worked in Investor Relations at both Oil Search Limited and AWE Limited and has participated in and led many corporate actions, including mergers and acquisitions and large equity capital market assignments. More recently, he has been active in Business Development activities and the negotiation of gas sales agreements with large industrial energy users.

He holds an Honours degree in Applied Geology from the University of New South Wales, is a recent graduate from the Australian Institute of Company Directors and is an active member of the Petroleum Exploration Society of Australia.

During the past three years, Mr Marsden has also served as a Director of the following ASX listed company:

- Eneabba Gas Ltd (resigned 22 September 2016)

6.7 SUMMARY OF FINANCIAL INFORMATION

Set out below is an extract of UIL Energy's consolidated statement of financial position as at 30 June 2018 as contained in UIL Energy's Annual Report for 2018 which was announced to the ASX on 20 September 2018. It should be read with its accompanying notes.

Consolidated Statement of Financial Position As at 30 June 2018

	Note	2018 \$	Consolidated Entity 2017 \$
Current Assets			
Cash and cash equivalents	6	1,358,260	1,204,541
Trade and other receivables	7	34,034	29,766
Other current assets	8	7,539	11,996
Total Current Assets		1,399,833	1,246,303
Non-Current Assets			
Property, plant & equipment	9	1,738	2,568
Exploration and evaluation assets	10	9,122,213	8,968,730
Total Non-Current Assets		9,123,951	8,971,298
TOTAL ASSETS		10,523,784	10,217,601
Current Liabilities			
Trade and other payables	11	234,853	246,812
Total Current Liabilities		234,853	246,812
TOTAL LIABILITIES		234,853	246,812
NET ASSETS		10,288,931	9,970,789
Equity			
Issued capital	12	19,379,223	18,258,081
Preference Equity	12	262,500	262,500
Reserves	13	1,971,287	1,734,279
Accumulated Losses		(11,324,079)	(10,284,071)
TOTAL EQUITY		10,288,931	9,970,789

Set out below is an extract of UIL Energy's consolidated statement of profit or loss and other comprehensive income as at 30 June 2018 as contained in UIL Energy's Annual Report for 2018 which was announced to the ASX on 20 September 2018. It should be read with its accompanying notes.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2018

	Note	2018 \$	Consolidated Entity 2017 \$
Revenue	3	18,470	28,617
Employee benefits expense		(391,192)	(285,917)
Administration costs		(354,161)	(523,693)
Consultants fees		(283,532)	(191,484)
Depreciation expense		(830)	(2,207)
Exploration impairment		(28,763)	-
Profit/(loss) before income tax expense	4	(1,040,008)	(974,684)
Income tax expense	5	-	-
Net profit/(loss) for the year		(1,040,008)	(974,684)
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss) for the year		(1,040,008)	(974,684)
Earnings/(loss) per share attributable to owners of UIL Energy Ltd		Cents	Cents
Basic earnings/(loss) per share (cents per share)	14	(0.51)	(0.57)
Diluted earnings/(loss) per share (cents per share)	14	(0.51)	(0.57)

For details of the notes to the accounts, please see UIL Energy's Annual Report for 2018 which can be located on the ASX website at www.asx.com.au using UIL Energy's ASX code 'UIL' or UIL Energy's website at <https://www.uilenergy.com.au/>.

6.8 ISSUED CAPITAL

As at the date of this Target's Statement, UIL Energy's issued Share capital was 228,646,266 Ordinary Shares.

UIL Energy has also issued the following securities which are not quoted on the ASX:

Securities	Description	Number
Options	Exercise Price \$0.05 Expiry 31 December 2019	13,676,204
	Exercise Price \$0.075 Expiry 31 December 2020	2,250,000
	Exercise Price \$0.24 Expiry 31 December 2018	15,804,959
Performance Rights	Expiry 31 December 2018	12,248,285
CPS	Class B Convertible Redeemable Preference Shares	35,000,000

Please see UIL Energy's 2018 Annual Report for further information.

6.9 SUBSTANTIAL HOLDERS

As at the date of this Target's Statement, the following entities (together with any of their Associates) have a relevant interest in 5% or more of UIL Energy's Shares:

Name	UIL Energy Shares	Relevant interest in shares (%)
John de Stefani and related entities	21,346,274	9.34%
Simon Hickey and related entities	21,278,206	9.31%
Mr William David Copland & Mrs Susan Mary Copland <David Copland Super Fund A/C>	19,000,000	8.31%
Stephen Bizzell and related entities	13,262,248	5.80%

6.10 PUBLICLY AVAILABLE INFORMATION

UIL Energy is a company listed on the ASX and is subject to periodic and continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. A substantial amount of information on UIL Energy is publicly available, including UIL Energy's 2018 Annual Report, which can be accessed by referring to UIL Energy on www.asx.com.au (ASX:UIL).

7. INFORMATION ABOUT STRIKE ENERGY AND STRIKE WEST

7.1 DISCLAIMER

The information about Strike Energy contained in this Target's Statement has been prepared by UIL Energy using publicly available information, including information in the Bidder's Statement, and has not been independently verified. Accordingly, UIL Energy does not, subject to the Corporations Act, make any representation or warranty, express or implied as to the accuracy or completeness of this information nor does UIL Energy assume any responsibility for it.

The information on Strike Energy in this Target's Statement should not be considered comprehensive. Please refer to the Bidder's Statement for further information in respect of Strike Energy.

7.2 OVERVIEW OF STRIKE ENERGY AND STRIKE WEST

Section 3 of the Bidder's Statement provides background information regarding Strike Energy and Strike West.

Strike Energy is an Australian based independent oil and gas exploration company incorporated in 1997 and listed on the ASX in 2004 (ASX:STX).

Strike West is an Australian proprietary company incorporated in March 2018 and is a wholly owned subsidiary of Strike Energy. Strike West is the entity that will acquire your UIL Energy Shares and your UIL Energy CPS if you accept the Offers. Strike West undertakes exploration and evaluation activities as operator of the West Erregulla Project.

7.3 STRIKE ENERGY AND STRIKE WEST DIRECTORS

Section 3.4 of the Bidder's Statement provides biographical details for the directors of Strike Energy. The Strike Energy Directors as at the date of this Target's Statement are:

- (a) John Poynton AO, Non-Executive Chairman;
- (b) Stuart Nicholls, Managing Director & Chief Executive Officer;
- (c) Tim Goyder, Non-Executive Director;
- (d) Jody Rowe, Non-Executive Director; and
- (e) Andrew Seaton, Non-Executive Director.

The Bidder's Statement provides that it has been signed by Stuart Nicholls as the sole director of Strike West.

7.4 OVERVIEW OF ASSETS AND ACTIVITIES OF STRIKE ENERGY

Strike Energy has interests in exploration permits and applications over ~2.25 million net acres (~9,118 km²) within the Cooper / Eromanga Basin. In addition, in March 2018, Strike Energy announced a transaction with Warrego Energy Pty Ltd to enter north Perth Basin block, EP 469, (or the West Erregulla Project) as operator and holder of 50% equity in return for a total cash payment of \$600,000 and farm-in that required Strike Energy to carry the joint venture for the West Erregulla-2 well and associated G&G and G&A works capped at \$11 million.

A list of the petroleum permits held by Strike Energy is set out below:

Permit	Operator	Interest held by Strike Energy
<i>Cooper / Eromanga Basin</i>		
PEL 94 ¹	Beach Energy Limited	35%
PEL 95 ¹	Beach Energy Limited	50%
PPL 210 ²	Beach Energy Limited	50%
PEL 96 ¹	Strike Energy 96 Pty Limited	66.7%
PEL 515	Strike Energy Cooper Pty Limited	100%
PELA 640	Strike Energy Cooper Pty Limited	100%
<i>Perth Basin</i>		
EP469 ¹	Strike West	50%

¹ Indicates petroleum permits subject to joint venture arrangements which undertake exploration and evaluation activities.

² Indicates petroleum permits subject to joint venture arrangements which undertake a combination of exploration, evaluation and production activities.

Further information in relation to the assets and activities of Strike Energy is located in section 3 of the Bidder's Statement.

7.5 STRIKE ENERGY FINANCIAL INFORMATION

Section 3.5 of the Bidder's Statement contains financial information in respect of Strike Energy. In addition, financial statements and information for Strike Energy can be obtained from ASX's website at www.asx.com.au (ASX:STX).

7.6 STRIKE ENERGY SECURITIES

As at the date of this Target's Statement, Strike Energy has issued the following securities:

Securities	Description	Number
Ordinary Shares	Fully paid ordinary shares in the capital of Strike Energy	1,237,083,762
	Exercise Price \$0.12 Expiry 7 April 2020	2,000,000
	Exercise Price \$0.15 Expiry 1 June 2020	1,000,000
Options	Exercise Price \$0.15 Expiry 21 August 2020	13,000,000
	Exercise Price \$0.15 Expiry 16 November 2020	7,000,000
	Exercise Price \$0.15 Expiry 17 May 2021	5,000,000
Performance Rights	Issued under Strike Energy's long term and short term incentive plans	9,430,299

7.7 STRIKE ENERGY SUBSTANTIAL SHAREHOLDERS

As at the last practical Trading Day prior to this Target's Statement, MHC Fund Services A Pty Ltd is the only Strike Energy shareholder that holds 5% or more of Strike Energy.

7.8 PUBLICLY AVAILABLE INFORMATION REGARDING STRKE

Strike Energy is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. Further information relating to the business and operations and financial performance and position of the Strike Energy Group that has been disclosed by Strike Energy in accordance with these obligations is available from the ASX website at www.asx.com.au (ASX:STX).

Further information regarding Strike Energy and its business can be found on Strike Energy's website at <http://www.strikeenergy.com.au/>.

8. DIRECTORS' RECOMMENDATION AND INTERESTS OF UIL ENERGY DIRECTORS

8.1 THE DIRECTORS

The following are Directors of UIL Energy as at the date of this Target's Statement:

- Simon Hickey - Executive Chairman
- John de Stefani - CEO and Managing Director
- Keith Skipper - Non-Executive Director
- Stephen Bizzell - Non-Executive Director
- Garry Marsden - Non-Executive Director

Further details in respect of the Directors are set out in section 6.6 of this Target's Statement.

8.2 DIRECTORS' RECOMMENDATION

After taking into account each of the matters in this Target's Statement and in the Bidder's Statement, each of your Directors recommends that you ACCEPT the Offers (in the absence of a Superior Proposal).

In considering whether to accept the Offers, your Directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the reasons for the Directors' recommendations noted in this Target's Statement; and
- obtain financial advice from your broker or financial advisor about the Offers and obtain taxation advice on the effect of accepting the Offers.

The interests of each UIL Energy Director in UIL Energy are set out in this section 8 of this Target's Statement.

Each of the above mentioned Directors recommends that you ACCEPT the Offers (in the absence of a Superior Proposal).

8.3 REASONS TO ACCEPT THE OFFERS

The reasons that the Directors recommend that you ACCEPT the Offers (in the absence of a Superior Proposal) are outlined in the section of the Target's Statement entitled "KEY REASONS TO ACCEPT THE OFFERS".

8.4 DIRECTORS' INTERESTS IN UIL ENERGY

At the date of this Target's Statement, Directors and their Associates have a relevant interest in the following Shares, Options, CPS and Performance Rights:

Director	Shares	Options	CPS	Performance Rights
Simon Hickey	21,278,206	842,074 Options (exercise price \$0.24, expiry 31 December 2018)	-	1,000,000 (expiry date 31 December 2018)
		133,334 Options (exercise price \$0.05, expiry 31 December 2019)		
John de Stefani	21,346,274	1,223,401 Options (exercise price \$0.24, expiry 31 December 2018)	-	5,450,667 (expiry date 31 December 2018)
		300,000 Options (exercise price \$0.05, expiry 31 December 2019)		
Keith Skipper	698,990	750,000 Options (exercise price \$0.075, expiry 31 December 2020)	-	-
Stephen Bizzell	13,262,248	2,655,400 Options (exercise price \$0.24, expiry 31 December 2018)	-	-
		750,000 Options (exercise price \$0.075, expiry 31 December 2020)		
		1,721,834 Options (exercise price \$0.05, expiry 31 December 2019)		
Garry Marsden	1,103,175	750,000 Options (exercise price \$0.075, expiry 31 December 2020)	58,143	-

Please see UIL Energy's 2018 Annual Report for further information.

Each Director intends to accept, or procure the acceptance of, the Offer in respect of all Shares and CPS held or controlled by him, including any Shares issued on exercise of any Options or conversion of any Performance Rights, and intends to exercise all 5c Options held or controlled by him to enable him to accept the Offer, provided the 5c Options are in the money, on the date that is the later of:

- (a) 21 days after the Offers have opened for acceptance; and
- (b) 5 days after the despatch of this Target's Statement,

in the absence of a Superior Proposal.

8.5 RECENT DEALINGS IN UIL ENERGY SHARES BY DIRECTORS

In the four months preceding the date of this Target's Statement, none of the Directors (or their respective Associates, as the case may be) have acquired or disposed of UIL Energy Shares.

8.6 INTERESTS OR DEALINGS IN STRIKE ENERGY SECURITIES

None of the Directors or any of their respective Associates have any relevant interest in the securities of Strike Energy or any Related Body Corporate of Strike Energy, or have acquired or disposed of any securities of Strike Energy or any Related Body Corporate of Strike Energy in the four months preceding the date of this Target's Statement.

8.7 NO PAYMENTS OR BENEFITS

No Director has agreed to receive, or is entitled to receive, any benefit in Strike Energy or UIL Energy which is conditional on, or is related to, the Offers, other than in their capacity as a UIL Energy Shareholder, in their capacity as a UIL Energy CPS Holder or as is noted below in section 8.8.

As a result of the Offers, no benefit (other than a benefit permitted by sections 200F or 200G of the Corporations Act) has been or will be given to a person:

- (a) in connection with the retirement of a person from the Board or management of UIL Energy or its Related Bodies Corporate; or
- (b) who holds, or has held a position on the board or management of UIL Energy or its Related Bodies Corporate, or a spouse, relative or Associate of such person, in connection with the transfer of the whole or any part of the undertaking or property of UIL Energy; or
- (c) which would require approval of UIL Energy Shareholders under section 200B of the Corporations Act.

8.8 ARRANGEMENTS WITH UIL ENERGY DIRECTORS

Board transition arrangements

As noted below in section 9, the TID requires that following the Effective Control Date, UIL Energy must take all actions necessary to procure the resignation and appointment of UIL Energy Directors such that a majority of the UIL Energy Board is composed of UIL Energy Directors as nominated by Strike Energy.

The Strike Energy announcement released on the Announcement Date in respect of the Offers also notes that subject to the satisfaction or waiver of the Conditions, Strike Energy intends to invite Mr Stephen Bizzell (a non-executive director of UIL Energy) to join the Strike Energy board upon closing of the Offer.

UIL Energy Options

As noted above in section 8.4, the Directors hold UIL Energy Options. Pursuant to the terms of the TID and as is set out in section 4.6(b) of the Bidder's Statement, Strike Energy proposes to enter into option cancellation arrangements with UIL Energy Optionholders (which relevantly includes the Directors), pursuant to which the UIL Energy Options will be cancelled in consideration for the issue of options in Strike Energy (or in limited circumstances, a cash payment). Under the terms of the TID, such cancellation is to be conditional upon, amongst other matters, the Offers becoming or being declared unconditional and Strike West becoming entitled to compulsorily acquire all Shares not acquired under the Share Offer.

BCP Mandate

Bizzell Capital Partners Pty Ltd ACN 118 741 012 (BCP), an entity associated with a non-executive director of UIL Energy, Mr Stephen Bizzell, has been appointed as financial adviser to UIL Energy with respect to the Offers.

Under the terms of that engagement, BCP is entitled to a maximum monthly fee based on time-based hourly rates, of \$25,000 per month. In addition, a transaction fee of 0.3% of the final transaction value is payable to BCP upon Strike West (or a related body corporate) acquiring a voting power in UIL Energy of more than 50% and all conditions of the relevant Offers being waived or satisfied.

Special exertion and retention fees

Each Director (excluding the Managing Director) may be paid a special exertion fee, in addition to that Director's ordinary remuneration, in accordance with usual practice and the Company's constitution. This special exertion fee may be paid for the efforts exerted by the Directors in connection with the Offers generally and the preparation of this Target's Statement, being efforts above and beyond the performance of their ordinary duties. The amount of these special exertion fees is not presently known, however the maximum amount of special exertion fees will not exceed in aggregate more than \$50,000 (inclusive of any superannuation components). In addition, the Managing Director will be paid a retention amount of \$61,320 (inclusive of superannuation) payable at the Effective Control Date.

8.9 NO AGREEMENT OR ARRANGEMENT WITH ANY DIRECTOR OF UIL ENERGY

Except as described above, there is no agreement or arrangement made between any Director or any Related Body Corporate or Associate of any Director and any other person in connection with or conditional upon the outcome of the Offers.

8.10 INTERESTS HELD BY DIRECTORS OF UIL ENERGY IN ANY CONTRACT ENTERED INTO BY STRIKE ENERGY

No Director, nor any Related Body Corporate or Associate of UIL Energy, has an interest in any contract entered into by Strike Energy or any Director, Related Body Corporate or Associate of Strike Energy.

9. TAKEOVER IMPLEMENTATION DEED SUMMARY

On the Announcement Date, Strike Energy and UIL Energy entered into the Takeover Implementation Deed (TID) in relation to the Offers. The TID sets out the agreed terms on which Strike West has made the Offers, and the obligations of both Strike Energy and UIL Energy in relation to the Offers.

The defined terms in this section of the Target's Statement have the same meaning as defined in the TID.

Conditions

The Share Offer remains subject to a number of conditions as at the date of this Target's Statement that must be satisfied or waived before an unconditional contract can arise from acceptance of the Share Offer. These conditions include:

- minimum acceptances of 50.1% (Fully Diluted);
- no regulatory decisions, actions or investigations or applications that may have a material adverse effect on the acquisition;
- no occurrence of customary prohibitions with respect to the UIL Energy Group's share capital and solvency;
- no fall in the S&P ASX 200 Index of 10% for 5 consecutive trading days;
- no new litigation which could result in judgement of more than \$250,000; and
- no material breach of the TID.

The CPS Offer is subject to Strike Energy having a relevant interest in at least 90% of UIL Energy's Shares and the Share Offer having become or been declared unconditional.

Recommendation and intentions of UIL Directors

UIL Energy must use reasonable endeavours to ensure that:

- each UIL Energy director recommends that shareholders accept the Offers subject to the satisfaction of the Capital Raising Condition and the Independent Expert's Report not stating that the Offers are neither fair nor reasonable and in the absence of a Superior Proposal;
- each UIL Energy director undertakes to accept the Offers in respect of any shares or options held by him or her subject to the satisfaction of the Capital Raising Condition and the Independent Expert's Report not stating that the Offers are neither fair nor reasonable and in the absence of a Superior Proposal;
- no UIL Energy director withdraws or qualifies the recommendation to shareholders;
- statements included in all public announcements, including the target's statements, are consistent with the recommendation and undertaking by the UIL Energy directors; and
- each UIL Energy director participates in efforts to promote the transaction to shareholders and encourage those shareholders to accept the Offers.

The obligations listed immediately above do not apply to the extent that:

- UIL Energy receives a Superior Proposal and UIL Energy has complied with its obligations under the TID;
- the UIL Energy directors determine that compliance with such obligations would likely be inconsistent with their statutory or fiduciary duties; or
- the Independent Expert's Report states that the Offers are neither fair nor reasonable.

Strike Energy may use subsidiary

Strike Energy is using its wholly owned subsidiary Strike West to perform its obligation to propose the Offers, however Strike Energy must ensure that subsidiary also performs Strike Energy's obligations under the TID and Strike Energy remains liable to UIL Energy for the performance of those obligations by that subsidiary.

Implementation Steps

Clause 3 sets out the procedural steps the parties agreed to follow in order to give effect to the Offers. Each Party must do everything necessary to implement the Offers in accordance with the TID and all other laws and regulations.

UIL Energy and Strike Energy must prepare a Target's Statement and Bidder's Statement, respectively, and allow the other at least 5 Business Days to review the other's statement before lodgement. UIL Energy must also provide any assistance and information to the Independent Expert to allow it to prepare the Independent Expert's Report.

Clause 3.10 provides that UIL Energy must take necessary steps to ensure any unvested Performance Rights vest and convert to Shares as soon as possible following the date on which Strike Energy has a relevant interest in 50% or more of the Shares so that the Shares issued on conversion of the Performance Rights may participate in the Offer.

Clause 3.11 provides for the proposed treatment of the UIL Energy Options. Refer to section 11.1 for additional information in relation to the UIL Energy Options.

Conduct of Target

Clause 4.2 of the TID sets out the obligations of UIL Energy applying on and from the date of the TID until the end of the Offer Period with respect to the conduct of its business. Under the TID, UIL Energy must ensure that it carries on its business in the ordinary course and in substantially the same manner as conducted at the date of the TID. UIL Energy must not:

- make or agree to make any significant change to the nature or scale of its business;
- enter into or agree to enter into any business or undertake or agree to undertake any activities in which it is not engaged as at the date of the TID; and
- undertake any of the prohibited actions, that may cause any significant change to the nature or scale of its business, listed in clause 4.4 unless:
 - it was specifically disclosed in an announcement by UIL Energy to ASX, or a publicly available document lodged with ASIC, 2 years prior to the date of the TID;
 - UIL Energy acquires the written consent of Strike Energy;
 - it is necessary to comply with the obligations under the TID;
 - it is in respect of the passing of resolutions of UIL Energy Shareholders at UIL Energy's 2018 annual general meeting, provided that UIL Energy does not do anything prohibited by clause 4.4 pursuant to those resolutions once passed; or
 - 15 March 2019 has passed, unless the Minimum Acceptance Condition is satisfied and the Offers have become or been declared unconditional by 15 March 2019.

Clause 4.4 lists activities that UIL Energy cannot engage in from the date of the TID to the end of the Offer Period. UIL Energy must not:

- issue any new securities;
- make any distributions;
- incur capital expenditure or create any encumbrance exceeding \$500,000;
- enter into any transactions where a Third Party could acquire an interest in the profits, assets or revenue of UIL Energy, or where there would be a diminution in UIL Energy's rights to a permit or application;
- borrow any money or enter any derivative transaction;
- enter, alter or terminate a material contract;
- give any guarantee, security or indemnity in connection with a person's obligations;
- increase remuneration of, or make any bonus payment, to Target Directors or Target Group employees whose annual employment cost exceeds \$100,000;

- accelerate a UIL Energy employee or director's right to receive benefits under the Target Incentive Plan;
- change the Constitution;
- fail to comply with laws and regulations which may affect an Authorisation held by it;
- change any material aspects of its accounting procedures;
- amend any material aspects of any of its agreements with advisers, or engage new advisers;
- commence, compromise or settle litigation; or
- agree to, or announce an intention to, do any of the above things.

UIL Energy must also ensure that it uses reasonable endeavours to:

- preserve and maintain Company and asset value, the good standing of its Permits and relationships with stakeholders and others with whom it has business dealings;
- keep available the services of its officers and key employees; and
- comply with its Material Contracts.

On and from the Effective Control Date, UIL Energy must, in respect of access to information:

- procure to Strike Energy reasonable access to UIL Energy's properties, books and records and management for certain purposes;
- when requested, facilitate meetings between Strike Energy and the counterparties to UIL Energy's Material Contracts;
- provide Strike Energy with copies of board papers;
- procure that one or more members of the UIL Energy Board meets with Strike Energy on a weekly basis and at other appropriate times; and
- provide to Strike Energy copies of all material correspondence and notice received from a Government Agency in relation to its business or material assets.

As soon as practicable:

- following the Effective Control Date, UIL Energy must take all actions necessary to procure the resignation and appointment of UIL Energy Directors such that a majority of the UIL Energy Board is composed of UIL Energy Directors as nominated by Strike Energy; and
- after the date of the Target's Statement, UIL Energy must use all reasonable endeavours to identify all Changes of Control Rights and notify Strike Energy of these changes.

Exclusivity

Clause 5 of the TID sets out the exclusivity obligations of UIL Energy in connection with the implementation of the Offers. A summary of the key exclusivity obligations of UIL Energy during the Exclusivity Period is set out below:

UIL Energy must not, and must procure that each of its Representatives does not, directly or indirectly:

- **No Shop**
 - solicit, invite, encourage or initiate any Competing Proposal or Potential Competing Proposal; or
 - procure any person to do any of the above things on its behalf; or
- **No Talk and No Due Diligence**
 - enter into or continue negotiations with any Third Party in relation to a Competing Proposal or Potential Competing Proposal, even if the Competing Proposal was not directly or indirectly solicited by UIL Energy or any of its Representatives;

-
- make available to any Third Party any non-public information relating to UIL Energy that may assist in formulating a Competing Proposal or Potential Competing Proposal; or
 - procure any person to do any of the above things on its behalf.

These restrictions do not apply to the extent that they restrict UIL Energy or the UIL Energy Board from taking or refusing to take any action with respect to a bona fide Competing Proposal if:

- the Competing Proposal is, or is reasonably likely, to constitute a Superior Proposal;
- the UIL Energy Board acting in good faith and after having taken advice from its external legal advisers, has determined that failing to take the action with respect to the Competing Proposal would likely constitute a breach of the fiduciary duties or statutory obligations of any UIL Director;
- in respect of the due diligence restriction only, the Third Party has first entered into a written agreement in favour of UIL Energy restricting the use and disclosure of the non-public information made available to it; and
- in respect of the due diligence restriction only, the non-public information is also made available to Strike Energy.

If UIL Energy receives any Competing Proposal or Potential Competing Proposal, then:

■ **Notification**

UIL Energy must immediately notify Strike Energy;

■ **Matching Rights**

- UIL Energy must as soon as reasonably practicable;
 - give Strike Energy notice setting out all material terms; and
 - use reasonable endeavours to obtain the consent of the person who made the Competing Proposal or Potential Competing Proposal to disclose to Strike Energy, on a confidential basis, the details of that person;
- during the period of time starting on the date UIL Energy notifies Strike Energy of a Competing Proposal and ending 2 Business Days after the date of that notice (**Matching Period**);
 - UIL Energy must not enter into any binding documentation to give effect to or implement the Competing Proposal or Potential Competing Proposal;
 - UIL Energy must use all reasonable endeavours to ensure that no UIL Energy Director makes any public statements recommending the Competing Proposal; and
 - Strike Energy may offer to amend the Offers to make a Counter Proposal.

During the Matching Period, Strike Energy will have the right to offer a Counter Proposal, and if it does:

■ **Counter Proposal**

- UIL Energy must use all reasonable endeavours to consider the Counter Proposal; and
- if the UIL Energy Board determines that the Counter Proposal is no less favourable to Shareholders, then:
 - the parties must use reasonable endeavours to implement the Counter Proposal; and
 - UIL Energy must use reasonable endeavours to procure that each UIL Energy Director makes a public statement recommending the Counter Proposal to Shareholders.

Break Fee

Clause 6.2 of the TID sets out the circumstances in which UIL Energy will pay the Break Fee of \$150,000 to Strike Energy. These circumstances include:

- completion of a Competing Proposal that was announced during the Exclusivity Period and completed within 12 months after that announcement;
- any UIL Energy Director failing to make an appropriate recommendation or failing to give the undertaking required by the TID in respect of their acceptance of the Offers, or changing qualifying or withdrawing that recommendation or undertaking;
- UIL Energy entering into an agreement that gives effect to the Competing Proposal during the Exclusivity Period;
- UIL Energy's Board of Directors recommending that Shareholders or Preference Shareholders accept or vote in favour of a Competing Proposal that is announced during the Exclusivity Period; or
- Strike Energy terminating the TID under certain circumstances as set out in clause 10.1(a)(i), 10.1(a)(ii), 10.1(a)(iii) or 10.2(a).

A Reverse Break Fee of \$150,000 may also be payable by Strike Energy if UIL Energy terminates the TID under certain circumstances set out in clauses 10.1(b)(i), 10.1(b)(ii), 10.1(b)(iv) or 10.3(a) of the TID (including where Strike Energy withdraws the Offers).

Representations, Warranties and Indemnities

In Schedules 3 and 4 of the TID, Strike Energy and UIL Energy have given each other warranties, representations and indemnities that are customary for a transaction of this nature.

Under clause 9 of the TID, UIL Energy and Strike Energy waive and release all rights and claims that they may have against each other in respect of any misrepresentation, inaccuracy or omission in or from any information or advice given by either party in good faith in connection with any representation, warranty or undertaking given by either party in the TID or the preparation of the Target Due Diligence Information and Bidder Due Diligence Information respectively.

Termination

Clause 10 of the TID sets out the key termination rights of each party, which are summarised below. There are also certain procedural requirements the parties must meet to exercise a right of termination.

- **Termination by Strike Energy**
 - Strike Energy may terminate the TID by giving written notice to UIL Energy if:
 - UIL Energy breaches a Target Warranty or a material obligation under the TID;
 - an Insolvency Event occurs in respect of any UIL Energy Group Member;
 - a Target Material Adverse Change occurs; or
 - any Target Director fails to make certain recommendations or give certain undertakings or changes, qualifies or withdraws that recommendation or undertaking.
- **Termination by UIL Energy**
 - UIL Energy may terminate the TID by giving written notice to Strike Energy if:
 - Strike Energy breaches a Bidder Warranty or a material obligation under the TID;
 - a Superior Proposal is announced or made and is publicly recommended, supported or endorsed by a majority of the UIL Energy Board;
 - an Independent Expert opines that any of the Offers are not fair and not reasonable;
 - an Insolvency Event occurs in respect of Strike Energy;

-
- a Bidder Material Adverse Change occurs; or
 - UIL Energy has changed, qualified or withdrawn certain recommendations or undertakings, provided UIL Energy has first paid the Break Fee to Strike Energy.

Either party may terminate the TID if Strike Energy withdraws the Offers, the Offers lapse or have not become or been declared unconditional by 15 March 2019 or the Offers are restrained by a court or Government Agency. The TID also automatically terminates 5 Business Days after the date on which the Offers are closed for acceptance.

10. RISK FACTORS

10.1 RISKS ASSOCIATED WITH ACCEPTING THE OFFERS

Conditions of the Offers

As described in sections 2.3 and 3.3 of this Target's Statement, the Offers are subject to the Conditions.

If the Conditions are not satisfied by the applicable date (or waived by Strike West), the Offers will not be free of the Conditions and therefore will not proceed.

Limited withdrawal rights

Once you have accepted the Offers, you will only be able to withdraw such acceptance in very limited circumstances. Such a withdrawal right will arise if, after you have accepted the Offers, Strike West varies the Offers in a way that postpones, for more than one month, the time when Strike West has to meet its obligations under the Offers, and at that time, the Offers are subject to one of the Conditions.

Otherwise, you will be unable to withdraw your acceptance even if the value of Strike Energy varies significantly from the date of your acceptance of the Offer or a Superior Proposal is announced.

CGT - Share Offer

If the Share Offer becomes unconditional, CGT rollover relief will not be available if Strike West acquires less than 80% of the UIL Energy Shares under the Share Offer. A general overview of the tax implication of accepting the Offer for Australian resident UIL Energy Shareholders is set out in section 9 of the Bidder's Statement.

UIL Energy Shareholders should not rely on the taxation considerations set out in section 9 of the Bidder's Statement as being advice on their own affairs. UIL Energy Shareholders should consult with their own independent taxation advisers regarding the taxation implications of accepting the Offer given their particular circumstances.

CGT - CPS Offer

The Bidder's Statement provides that as the UIL Energy CPS are exchanged for options instead of shares, scrip for scrip roll-over is unlikely to be available. UIL Energy CPS Holders should seek their own advice.

Issue of Strike Energy securities as Offer Consideration

Pursuant to each Offer, Strike Energy will issue Strike Energy Shares and Strike Energy Milestone Options as Offer Consideration. The market value of such securities will fluctuate depending on the market value of Strike Energy Shares.

There are risks associated with investing in Strike Energy. These risks are discussed in section 8.4(b) of the Bidder's Statement and in section 10.2 of this Target's Statement.

UIL Energy has not independently verified Strike Energy information

In preparing the information in this Target's Statement, UIL Energy has relied upon information in relation to Strike Energy which is publicly available through Strike Energy's continuous and periodic disclosure under the Corporations Act and ASX Listing Rules and certain non-public information provided by Strike Energy. UIL Energy has not been able to verify the accuracy, reliability or completeness of all of the information which was disclosed by Strike Energy. In addition, there may be other potentially materially price sensitive information which Strike Energy has not disclosed in reliance of an exception to the continuous disclosure requirements set out in ASX Listing Rule 3.1A.

As UIL Energy has conducted only limited due diligence on Strike Energy, there could be circumstances relating to Strike Energy which UIL Energy are unaware of and which could adversely affect the anticipated results of the operations of the Merged Group. If any of the data or information provided to and relied upon by UIL Energy in its limited due diligence process and its preparation of this Target's Statement proves to be incomplete, incorrect, inaccurate or misleading, there is a risk that the actual financial position and performance of the Merged Group may be materially different to the pro-forma statement of financial position in the Bidder's Statement. It should also be noted that there is no

assurance that the due diligence conducted was conclusive and that all material issues and risks in respect of the acquisition have been identified. Therefore, there is a risk that unforeseen issues and risks may arise, which may also have a material impact on the Merged Group in the future.

10.2 RISKS ASSOCIATED WITH BEING A STRIKE ENERGY SECURITYHOLDER

There are certain risks involved in holding Strike Energy Shares and Strike Energy Milestone Options and those risks are outlined in section 8 of the Bidder's Statement. The UIL Energy Board draws your attention to the risks set out below:

Issue of Strike Energy Shares as Offer Consideration

UIL Energy Shareholders are being offered consideration under the Share Offer that consists of a specified number of Strike Energy Shares, rather than a number of Strike Energy Shares with a specified market value. As a result, the value of the consideration will fluctuate depending upon the market value of the Strike Energy Shares.

Furthermore, under the Share Offer, Strike Energy will issue a significant number of Strike Energy Shares. Some UIL Energy Shareholders may not intend to continue to hold Strike Energy Shares and may wish to sell them on the ASX. There is a risk that if a significant number of UIL Energy Shareholders seek to sell their Strike Energy Shares this may adversely impact the price of Strike Energy Shares.

Unless Strike Energy acquires at least 80% of the UIL Energy Shares under the Share Offer, CGT scrip for scrip rollover relief will not be available in respect of the Strike Energy Shares received in exchange for the UIL Energy Shares.

There are also certain risks that relate to the merger of UIL Energy and Strike Energy should the Offer succeed. Strike Energy has summarised these risks in section 8.4 of the Bidder's Statement. The UIL Energy Board draws your attention to certain risks relating to:

Integration risks

There are risks that any integration between the businesses of UIL Energy and Strike Energy may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, inability to achieve synergy benefits and cost savings, and the potential loss of key personnel.

Accounting

Strike Energy will be required to perform a fair value assessment of all of UIL Energy's assets and liabilities if the Offers are successful. This assessment may result in increased depreciation and amortisation charges. There is a risk that these charges may be substantially greater than those that would exist in Strike Energy and UIL Energy as separate businesses. This may reduce the future earnings of the Merged Group.

Change in risk and investment profile

UIL Energy Securityholders who accept the Offers will be exposed to risk factors relating to Strike Energy, and to certain additional risks relating to the Merged Group and the integration of the two companies.

These include risks relating to the operation of a broader suite of assets (both in nature and scale) than UIL Energy owns.

Research & Development tax incentive claim

As announced by Strike Energy to ASX on 19 July 2018, Strike Energy received an adverse finding from Innovation and Science Australia (ISA) regarding the eligibility of Strike Energy's \$6.3 million research and development (R&D) tax incentive claim (15/16 R&D Claim) for the period 1 July 2015 to 30 June 2016. Strike Energy has since applied for and been granted an internal review of ISA's finding pursuant to *Industry Research and Development Act 1986* (Cth) (IR&D Act), which is anticipated to be carried out over the remainder of the 2018 calendar year and into 2019. If the result of the internal review is negative, Strike Energy will have a right of appeal to the Administrative Appeals Tribunal under the IR&D Act.

Strike Energy has noted in its Bidder's Statement that whilst it is confident the 15/16 R&D Claim is a compliant claim, if the 15/16 R&D Claim is ultimately found to be non-compliant in whole or in part, Strike Energy could be required to repay some or all of the 15/16 R&D Claim refund. Depending on cash available to Strike Energy at the time and whether Strike Energy could negotiate a deferred payment arrangement with the Australian Tax office, Strike Energy may be required to raise additional funds to fund the repayment. A determination that the 15/16 R&D Claim is non-compliant could potentially trigger a review of Strike Energy's other years' research and development tax incentive claims, with the potential risk of an adverse finding in relation to those claims.

CBA Bank Facility

Strike Energy has a \$5,400,000 debt facility with the Commonwealth Bank of Australia (CBA) which provides pre-funding for eligible research and development expenditure. The facility has been drawn to \$5,265,000 and is due for repayment on 30 November 2018. Repayment of the facility is planned to be funded from the proceeds of Strike Energy's R&D incentive claim for the period 1 July 2017 to 30 June 2018 (17/18 R&D Claim); however, Strike Energy's 17/18 R&D Claim application is currently the subject of examination by Innovation and Science Australia and it is likely that the examination will not be complete and the refund will not be received in time to meet the facility repayment date. Strike Energy has noted in its Bidder's Statement that it is currently in discussions with CBA for an extension of the facility repayment date or refinancing of the facility. If neither of these options is available to it, or if Strike Energy does not receive the applied for refund, Strike Energy may be required to raise additional funds to the extent it has insufficient cash available at the time to fund the repayment and its other commitments (refer to section 8.2(k) of the Bidder's Statement regarding risks in relation to access to funding).

Exploration and current activities

Oil and gas exploration inherently involves significant risks, so that no assurances can be given that funds spent on exploration will result in discoveries that will eventually become commercially viable. As such, the value of Strike Energy's shares is directly related to the results of exploration activities which are currently being undertaken by Strike Energy. The future operating and financial performance and development strategies of the Merged Group will be heavily influenced by the performance or sub-performance of Strike Energy and UIL Energy's current activities, including the piloting outcome of Jaws-I and exploration success of the West Erregulla Project, as well as the ability of the Merged Group to successfully explore for and identify further hydrocarbon resources and commercially viable reserves which may support further production in the future.

10.3 RISKS ASSOCIATED WITH NOT ACCEPTING THE OFFER

No premium

UIL Energy Securityholders who do not accept the Offers may not receive the premium implied by the Share Offer. Further, in the absence of the Offers, the price of UIL Energy Shares on ASX may potentially decline.

Minority ownership consequences

If Strike West achieves the Minimum Acceptance Condition of 50.1%, then it is possible that Effective Control of UIL Energy passes without the ability of Strike West to compulsorily acquire the remaining UIL Energy Shares (which requires a relevant interest in at least 90% of UIL Energy Shares).

Once Effective Control passes, Strike West will have the ability to appoint a majority of directors to the UIL Energy Board and, in doing so, take control of the day-to-day operations of the business. UIL Energy Shareholders who do not accept the Share Offer will remain as minority shareholders and be subject to a number of additional risks, including:

- reduced liquidity;
- greater difficulty in realising value for UIL Energy Shares with Strike West likely to hold a blocking stake to any proposals received from a rival bidder; and
- if Strike West acquires 75% or more of the UIL Energy Shares, it will be able to pass special resolutions of UIL Energy (which will enable Strike West to amend UIL Energy's constitution).

10.4 RISKS ASSOCIATED WITH HOLDING UIL ENERGY SHARES

If you decide not to accept the Offer and retain your UIL Energy Shares, you will continue to be exposed to the risks associated with being a UIL Energy Shareholder. Holding a UIL Energy Share provides an economic interest in the ongoing operational activities of UIL Energy. However, there is no guarantee that UIL Energy will become profitable in the future as the business is affected by many risk factors.

These may be risks that are widespread risks associated with any form of business or specific risks associated with UIL Energy's business and its involvement in the exploration and oil and gas industry.

The following summary represents some of the major risk factors which affect UIL Energy. These risk factors ought not to be taken as exhaustive of the risks faced by UIL Energy or UIL Energy Shareholders. These factors, and others not specifically referred to, may in the future materially affect the financial performance of UIL Energy and the value of UIL Energy Shares. Where relevant, the risk factors below assume the Offers will not be successful and UIL Energy will continue to develop its project interests.

(a) General market risks

The economic condition of both domestic and global markets may affect the performance of oil and gas exploration companies such as UIL Energy. Adverse changes in macroeconomic conditions, including global, regional and local economic growth, the costs and general availability of credit, the level of inflation, interest rates, exchange rates, government policy (including fiscal, monetary and regulatory policies), general consumption and consumer spending, sentiment and levels of employment, amongst others, are outside of the control of UIL Energy and may have a material adverse effect on the financial performance of UIL Energy.

(b) Future Share price

There is a risk that the UIL Energy Share price may fall if the Offers are unsuccessful. The Directors are not in a position to speculate on the future trading price of the UIL Energy Shares, including if the Offers lapse. The future price of UIL Energy Shares is dependent not only on UIL Energy's performance, but also on external market and other factors.

(c) Financing and capital

Substantial capital expenditure is required for oil and gas exploration, appraisal, development and production. The future prospects of UIL Energy, including the successful development of UIL Energy's assets and/or the acquisition of new assets will be influenced by the ability of UIL Energy to access funding via operating cash flows or debt or equity markets on commercially acceptable terms. Operating cash flows and access to debt and equity markets is affected by a number of factors beyond the control of UIL Energy including commodity prices and general economic conditions.

There is also no assurance that UIL Energy will be successful in raising capital in the future as and when it is required, in order to fully finance and develop UIL Energy's projects. Volatile market conditions may prevent or make it difficult for UIL Energy to obtain debt financing or equity financing on commercially acceptable terms. If access to adequate funding is not maintained by UIL Energy, UIL Energy may not be able to take advantage of opportunities or otherwise respond to market conditions. Failure to obtain funding on a timely basis and on reasonably acceptable terms may also cause UIL Energy to postpone or abandon development plans, or to relinquish or forfeit rights in relation to the UIL Energy's assets, which may delay or suspend UIL Energy's business strategy and could have a material adverse effect on UIL Energy's activities.

(d) Exploration

Oil and gas exploration inherently involves significant risks, so that no assurances can be given that funds spent on exploration will result in discoveries that will eventually become commercially viable. As such, the value of UIL Energy's shares is directly related to the results of exploration activities which are currently being undertaken by UIL Energy. The future operating and financial performance and development strategies of UIL Energy will be influenced by the ability of UIL Energy to successfully explore for and identify further hydrocarbon resources and commercially viable reserves which may support further production in the future.

(e) Drilling

UIL Energy may encounter hazards inherent in oil and gas drilling activities. Examples of such hazards include unusual or unexpected formations, abnormal pressures or rock properties, adverse weather conditions, mechanical difficulties, conditions which could result in damage to plant or equipment or the environment or shortages or delays in delivery of rigs and/or other equipment. Drilling may result in wells that, while encountering oil and gas, may not achieve economically viable results.

Whilst UIL Energy intends to take adequate precautions to minimise risks associated with drilling activities, there can be no guarantee that UIL Energy will not experience one or more material incidents during drilling activities which may have an adverse impact on the operating and financial performances of UIL Energy, including costs associated with control of well operations, recovery of plant and equipment, environmental rectification and compensation along with delays and other impacts on anticipated results.

(f) Environment

Oil and gas exploration, development and production can potentially be environmentally hazardous, giving rise to substantial costs for environmental rehabilitation, damage control and losses. UIL Energy is subject to environmental laws and regulations in connection with its operations. If UIL Energy is responsible for environmental harm it will be required to remediate the harm which may involve substantial expenditure. Additionally, a material environmental incident may result in operations being suspended, forfeiture of a critical permit or permits, and the imposition of a financial guarantee, surety, financial penalty or compensation order, as well as damage to UIL Energy's reputation.

(g) Joint venture activities

As is common in the oil and gas industry, UIL Energy participates in joint venture arrangements and many of UIL Energy's assets are held, or may in the future be held, in joint ventures which enable the participants to share technical, operational and commercial risks associated with oil and gas activities. With some exceptions, decisions regarding the exploration, development and production activities of joint ventures require approval of a specific majority of participants in the joint venture.

Whether or not UIL Energy holds majority interests or acts as the operator of the relevant joint ventures, joint venture participants may:

- have commercial or other interests or objectives for the relevant joint venture which may not be aligned with those of UIL Energy;
- exercise voting rights for joint venture decisions to prevent or delay activity which UIL Energy considers to be in the best interests of the joint venture and the commercial objectives of UIL Energy; or
- be unable or unwilling to fulfil their respective obligations, including their proportionate share of joint venture capital and operating costs in which case UIL

Energy may have to make the increased contribution to ensure that programmes proceed.

Where joint venture activities are not operated by UIL Energy, UIL Energy will monitor the performance of the operator and may seek to influence joint venture activities by providing technical advice, but it has limited ability to control the day to day conduct of the activities of the joint venture.

Improper management of joint venture activities, including a failure to have effective policies and systems in place, may adversely affect the value of UIL Energy's interests in the relevant joint venture and, by association, may result in damage to the reputation of UIL Energy which may, in turn, impact on UIL Energy's other operations and access to new opportunities.

Participants in the joint venture to which UIL Energy is or becomes a party are required to pay its percentage interest share of all costs and liabilities incurred by the joint venture in connection with the joint venture activities (i.e. the costs of exploration, appraisal and development programs). If a participant fails to pay its cash calls, penalty provisions will apply under the joint venture or joint operating agreements. Such penalties could have a material adverse impact on UIL Energy through actions such as loss of rights to production, dilution or loss of interests in the projects.

(h) Security of tenure

The business activities of UIL Energy are dependent on the grant and maintenance of appropriate licences, permits and consents over their exploration interests. Licences and permits may be subject to compulsory work or expenditure obligations for each year which must be met to keep the licence or permit in good standing. It may be possible for these commitments to be varied by deferment and combination with later year requirements on application of the holders but any such variation is at the discretion of the Minister administering the relevant legislation. If a variation is not approved by the Minister then a failure to meet compulsory obligations could lead to forfeiture of the licence or permit. Any failure to meet tenure conditions may result in a loss of tenure and may impact on UIL Energy's reputation which, in turn, may hinder or prevent UIL Energy from successfully obtaining extensions to its existing tenure or new tenure associated with future opportunities.

There are a number of relatively substantial compulsory work commitments that are due to be satisfied in 2019 for UIL Energy's granted southern permits. While UIL Energy intends to continue progress towards satisfaction of those commitments across the UIL Energy portfolio, should the timelines to receive regulatory and other stakeholder approvals and to procure the requisite contractor services prove unlikely to be achieved or secured in the timeframes required, or should UIL Energy not be able to procure the full funding required to complete those commitments within the required timeframes, UIL Energy will work with the regulator with a view to securing additional time to finalise the approvals required to deliver the 2019 work program by way of an extension and suspension of the 2019 work commitments. There is no guarantee the Minister will grant an extension and suspension for any or all of the UIL Energy permit commitments, in which case there is a risk of forfeiture of the relevant permits.

(i) Hydraulic Fracturing

UIL Energy is considering using hydraulic fracturing stimulation technology in its exploration and development activities. The use of this technology may be necessary for the production of commercial gas quantities from geological formations of the type that UIL Energy is targeting. The Western Australian Government has commissioned an Independent Scientific Panel Inquiry into hydraulic fracture stimulation in Western Australia and has placed a moratorium on the use of hydraulic fracture stimulation until it has considered the independent panel's findings and recommendations.

(j) **Land access and native title risk**

Land access is critical to the operations of UIL Energy. Immediate and continuing access to land within UIL Energy's licence and permit areas cannot in all cases be guaranteed as UIL Energy may be required to obtain the consent of the owners and occupiers of the relevant land or surrounding land. Compensation may be required to be paid to the owners and occupiers by UIL Energy in order for UIL Energy to carry out exploration activities.

In addition, UIL Energy operates in a number of areas within Australia that are or may become subject to claims or applications for native title determinations. These claims and applications have the potential to introduce delays in the granting of petroleum licences and other permits and consequently may have an effect on the timing and cost of exploration, development and production licences, as well as in respect of such operating costs associated with such licences.

Various aspects of UIL Energy's future performance and profitability are dependent on the outcome of future negotiations with third parties. In addition to the outcome of negotiations on land access arrangements and native title issues, future negotiation with the government is expected in respect of licence renewals and work obligations and security for rehabilitation of areas of operation with UIL Energy's tenements.

(k) **Contractors**

The business activities of UIL Energy rely on the engagement of experienced and qualified contractors and suppliers on commercially reasonable terms.

UIL Energy's business, operations and financial performance may be materially and adversely affected if any of its proposed contractors are not available as and when required or do not perform their contractual obligations as expected by UIL Energy. Where UIL Energy relies on third parties to deliver goods or perform services, there can be no guarantee that the relevant third parties will deliver those goods or perform those services in the manner that delivers upon UIL Energy's plans and expected outcomes which, in turn, may adversely affect the financial position, performance and prospects of UIL Energy.

(l) **Insurances**

UIL Energy maintains insurance either directly or through a joint venture for certain activities within ranges of coverage that they each believe to be consistent with industry practice. However, in certain circumstances insurance proceeds may not be adequate to cover all potential liabilities and losses. Additionally, recovery under insurances is subject to the terms and conditions of the relevant insurance policies which may include material exclusions and uninsured excess amounts (or deductibles).

Where UIL Energy does not have insurances in place in respect of a relevant loss or hazard, or a relevant insurance policy does not respond as anticipated, UIL Energy may be exposed to material uninsured losses which, in turn, may impact upon the financial performance of UIL Energy. In addition, insurance of all risks associated with oil and gas exploration, development and production is not always available and, where, available this cost can be prohibitive. There is a risk that insurance premiums may increase to a level where UIL Energy considers it is unreasonable or not to a level of coverage which is in accordance with industry practice. No assurance can be given that UIL Energy will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage it arranges will be adequate to cover claims.

(m) **Taxation**

In addition to normal income taxes imposed on all industries by Federal, State or foreign governments, the oil and gas industry is required to pay government royalties, indirect taxes, sales taxes and other imposts which generally relate to revenue or cash flows. UIL

Energy's operations and profitability may be affected by changes in government taxation policies, including changes to taxation regimes designed to address climate change and greenhouse gas emissions.

(n) **Exchange rate risk**

Fluctuations in exchange rates between the Australian dollar and other operational currencies may result in foreign exchange gains or losses which may affect the financial performance of UIL Energy.

(o) **Compliance risk**

UIL Energy is required to comply with a wide range of laws and regulations which govern the undertaking of oil and gas exploration, development and production (and associated activities) in Australia.

Oil and gas operators are required to obtain and maintain various permits to provide a regulatory 'licence to operate'. A failure to comply with relevant laws and regulations, including conditions imposed on UIL Energy's activities under relevant permits, may result in operations being suspended, a forfeiture of critical permits, the imposition of a financial guarantee or surety, or financial penalty or compensation order, along with the potential for associated reputational damage to UIL Energy.

(p) **Loss of key personnel**

UIL Energy relies on a number of well-qualified and experienced key senior personnel. Loss of such personnel, or a failure to recruit and retain suitably qualified and experienced personnel in the future may adversely affect the financial performance of UIL Energy. Such failure may also result in damage to the reputation of UIL Energy which may have additional adverse consequences for the financial performance and prospects of UIL Energy.

(q) **Litigation**

UIL Energy may be involved in disputes and litigation relating to the conduct of its business. The risk of litigation is a general risk of UIL Energy's business and it may incur costs in making payments to settle claims or in complying with any court order (which may not be covered adequately, if at all, by insurance). Any material dispute or litigation could adversely affect the financial position and the financial performance of UIL Energy.

(r) **Other risks**

Additional risks and uncertainties not currently known may also have an adverse effect on UIL Energy and the value of UIL Energy's Shares. The information set out in this section 10.4 does not purport to be, nor should it be construed as representing, an exhaustive summary of the risks that may affect the performance of UIL Energy's Shares.

11. ADDITIONAL INFORMATION

11.1 UIL ENERGY OPTIONS

The proposed treatment of the UIL Energy Options in connection with the Offers is set out below:

Exercise price	Expiry date	Number	Proposed treatment in connection with the Offers
\$0.05	31 December 2019	13,676,204	<p>UIL Energy Optionholders who hold UIL Energy 5c Options which are exercised and converted into UIL Energy Shares during the Offer Period, will be able to accept the Share Offer in respect of the UIL Energy Shares that are issued to them. Provided the closing price of Strike Energy Shares recorded on the ASX on the date of despatch of the Target's Statement is not less than \$0.106 per Strike Energy Share, all UIL Energy Directors have undertaken to exercise any UIL Energy 5c Options held or controlled by them during the Offer Period.</p> <p>Strike Energy intends to enter into option cancellation agreements with each UIL Energy Optionholder in respect of any UIL Energy 5c Options that they hold which are not exercised during the Offer Period in consideration for the issue of 0.485 Strike Energy 10.3c Options for each UIL Energy 5c Option, subject to any required shareholder approval. If shareholder approval is required but not granted, the consideration payable under the option cancellation agreements will be for \$0.02 for each UIL Energy 5c Option.</p>
\$0.075	31 December 2020	2,250,000	<p>Strike Energy proposes to enter into option cancellation agreements with each UIL Energy Optionholder in respect of any UIL Energy 7.5c Options that they hold which are not exercised during the Offer Period in consideration for the issue of 0.485 Strike Energy 15.5c Option for each UIL Energy 7.5c Option.</p>
\$0.24	31 December 2018	15,804,959	<p>Strike Energy proposes to enter into option cancellation agreements with each UIL Energy Optionholder in respect of any UIL Energy 24c Options that they hold which are not exercised during the Offer Period in consideration for \$0.001 for each UIL Energy 24c Option.</p>
Total		31,731,163	

11.2 NOTICE OF THE BIDDER'S VOTING POWER

As stated in the Bidder's Statement, neither Strike West nor any of its associates held a relevant interest, any voting power or any other interest in UIL Energy Shares. The Bidder is required to notify the ASX and UIL Energy before 9.30am (Sydney time) on each trading day during the Offer Period where there is an increase in Strike West's relevant interest representing at least 1% in UIL Energy's issued capital.

11.3 DISCLOSING ENTITY

UIL Energy is a disclosing entity and as such is subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

Copies of the documents filed with the ASX may be obtained from the ASX website at www.asx.com.au or UIL Energy's website at <http://www.uilenergy.com.au>.

Copies of the documents lodged with ASIC in relation to UIL Energy may be obtained from, or inspected at, an ASIC office.

UIL Energy Securityholders may obtain a copy of:

- the 2018 Annual Report of UIL Energy;
- UIL Energy's constitution; and
- any document lodged by UIL Energy with the ASX between the release of the 2018 Annual Report to the ASX and the date of this Target's Statement,

free of charge upon request by contacting UIL Energy or on the ASX website at www.asx.com.au.

11.4 NO OTHER MATERIAL INFORMATION

This Target's Statement is required to include all information that Securityholders and their advisors would reasonably expect to receive to make an informed assessment whether to accept the Offers, but only to the extent that:

- it is reasonable for the Securityholders and their advisors to expect to receive that information in the Target's Statement; and
- the information is known to the Directors.

The Directors are of the opinion that the information that the Securityholders and their professional advisors would reasonably require to make an informed assessment whether to accept or reject the Offers are contained within:

- this Target's Statement;
- the Bidder's Statement (to the extent that the information contained in that document is not inconsistent with the Target's Statement); and
- the annual and other financial reports, releases, announcements and documents lodged by UIL Energy with ASX and/or ASIC.

In preparing this Target's Statement, the Directors have assumed that the information contained in the Bidder's Statement is accurate. However, the Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained within it.

In deciding what information should be contained in this Target's Statement, the Directors have had regard to:

- the nature of the UIL Energy Shares and the UIL Energy CPS;
- the matters that Securityholders may reasonably be expected to know;
- the fact that certain matters may reasonably be expected to be known to the professional advisors of Securityholders; and
- the time available to UIL Energy to prepare the Target's Statement.

12. CONSENTS

12.1 DIRECTORS

The Directors have given and have not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to be named in this Target's Statement in the form and context in which they are named.

12.2 THIRD PARTIES

HopgoodGanim Lawyers has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as legal advisor to UIL Energy in respect of the Offers in the form and context in which it is named. HopgoodGanim Lawyers does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, HopgoodGanim Lawyers expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

Link Market Services Limited has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Share Registry to UIL Energy in respect of the Offers in the form and context in which it is named. Link Market Services Limited does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, Link Market Services Limited expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

BDO Corporate Finance (QLD) Ltd ACN 010 185 725 has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as Independent Expert in respect of the Offers in the form and context in which it is named and for the inclusion of the Independent Expert's Report in the Target's Statement.

RISC Operations Pty Ltd has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement in the form and context in which it is named, and for the inclusion of the RISC Report (as contained in the Independent Expert's Report prepared by BDO Corporate Finance (QLD) Ltd) in the Target's Statement.

Bizzell Capital Partners Pty Ltd ACN 118 741 012 has given and has not before the lodgement of this Target's Statement with ASIC, withdrawn its written consent to be named in this Target's Statement as financial adviser to UIL Energy in respect of the Offers in the form and context in which it is named. Bizzell Capital Partners Pty Ltd does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based. To the maximum extent permitted by law, Bizzell Capital Partners Pty Ltd expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name.

12.3 PUBLICLY AVAILABLE INFORMATION AND ASIC MODIFICATIONS

This Target's Statement contains statements which are made in, or based upon, statements contained in the Bidder's Statement lodged with ASIC. As permitted by ASIC Class Order [CO 13/521], the consent of Strike West and Strike Energy is not required for the inclusion of these statements in the Target's Statement.

UIL Energy has also relied on the modification to section 638(5) of the Corporations Act set out in ASIC Class Order [CO 13/521] to include, without obtaining specific consent, statements which are made in, or based on statements made in, any documents announced on the company announcements platform of ASX on the following dates:

Entity	Announcement	Date of Announcement
Greenrock Energy	Ocean Hill Independent Resource Certification	4 October 2013
Pancontinental	Gas & Condensate Resource Upgrade at Walyering Gas Field	16 May 2018

No person who has made any of these statements has consented to the statement being included in or accompanying this Target's Statement in the form and context in which it is included.

UIL Energy will, on request and during the bid period, provide a copy of those documents, or the relevant parts of those documents containing the statement, free of charge and within two business days of the request to any UIL Energy Shareholder. To obtain a copy of any of those documents, or the relevant parts of those documents containing the statements, please email info@uilenergy.com or call UIL Energy on 07 3007 9600 for callers within Australia or on +61 7 3007 9600 for callers outside Australia from Monday to Friday between 8.30am to 5.00pm (Brisbane time).

As permitted by ASIC Class Order [CO 07/429], this Target's Statement contains security price trading data sourced from Iress Market Data without its consent.

This Target's Statement contains information from public official documents in accordance with ASIC Class Order [CO 13/523].

Also, ASIC has published various class orders providing for modifications and exemptions that generally apply to all persons including UIL Energy, in relation to the operation of Chapter 6 of the Corporations Act.

13. INTERPRETATION

13.1 IN THIS TARGET'S STATEMENT UNLESS THE CONTRARY INTENTION APPEARS THE FOLLOWING WORDS HAVE THE FOLLOWING MEANINGS:

1C has the meaning given to the expression '1C' in the SPE-PRMS;

2C has the meaning given to the expression '2C' in the SPE-PRMS;

3C has the meaning given to the expression '3C' in the SPE-PRMS;

Acceptance Form means the form of acceptance and transfer accompanying the Offer or any replacement or substitute acceptance form provided by or on behalf of Strike West;

Announcement Date means 22 October 2018;

ASIC means the Australian Securities and Investments Commission;

Associate has the meaning given to that term in the Corporations Act;

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market operated by it;

ASX Listing Rules means the official listing rules of ASX;

ASX Settlement Operating Rules means the operating rules of ASX Settlement Pty Limited as amended and replaced from time to time;

ASX Settlement Participant means a participant under the ASX Settlement Operating Rules;

Best Estimate has the meaning set out in the SPE-PRMS;

Bidder Due Diligence Information has the meaning given to that term in the TID;

Bidder Group or **Strike Energy Group** means Strike Energy and each of its Related Bodies Corporate;

Bidder Material Adverse Change has the meaning given to that term in the TID;

Bidder's Statement means that Bidder's Statement dated 24 October 2018 given by Strike West to UIL Energy on 24 October 2018 in accordance with the provisions of Part 6.5 of the Corporations Act;

Broker means a person who is a share broker and a participant in CHES;

Business Day means Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day the ASX declares is not a business day;

CGT means Australian Capital Gains Tax;

CHES means the Clearing House Electronic Sub-registry System operated by ASX which provides for the electronic transfer, settlement and registration of securities;

CHES Holding means a holding of UIL Energy Shares on the CHES Sub-register of UIL Energy;

CHES Sub-register has the meaning given in the ASX Settlement Operating Rules;

Closing Date means 30 November 2018 (unless extended or withdrawn);

Competing Proposal has the meaning given to the term in the TID;

Conditions mean the Share Offer Conditions and the CPS Offer Conditions;

Contingent Resources has the meaning given to the expression 'Contingent Resources' in the SPE-PRMS;

Controlling Participant means the Broker or ASX Settlement Participant who is designated as the controlling participant for shares in a CHES Holding in accordance with the ASX Settlement Operating Rules;

Corporations Act means the *Corporations Act 2001* (Cth);

Counter Proposal means an offer by Strike Energy to amend the terms of the Offers or an alternative proposal to UIL Energy or UIL Energy Shareholders with a view to providing an equivalent or a superior outcome for Shareholders than those offered under the relevant Competing Proposal or Potential Competing Proposal.

CPS means Convertible Preference Share

CPS Offer means:

- (a) the offer for CPS contained in Schedule 2 of the Bidder's Statement; or
- (b) the off-market takeover bid constituted by that offer and each other offer by Strike West for UIL CPS in the form of that offer, in each case as varied in accordance with the Corporations Act,

as the context requires.

CPS Offer Condition means Strike Energy having a relevant interest in at least 90% of the Shares and the Share Offers having become or being declared unconditional;

Directors mean the directors of UIL Energy (unless the context requires otherwise);

Effective Control means Strike Energy having a relevant interest in at least 50.1% of UIL Energy's Shares and the Share Offers have become or been declared unconditional;

Effective Control Date means the date on which Effective Control has occurred;

Equity Capital Raising has the meaning given to it in the TID;

Equity Securities means:

- (a) any Share;
- (b) preference share, option, warrant, debenture or any other "security" (as that term is defined in section 92(1) of the Corporations Act) or obligation which, by its terms, is directly or indirectly convertible into, or exchangeable for, Shares; and
- (c) any other option, warrant or other right for subscription or purchase respect to Shares or such other securities.

Exclusivity Period has the meaning given to that term in the TID;

Fully Diluted Basis means the aggregate number of Shares assuming that all Equity Securities (excluding the CPS) have been exercised, converted or exchanged (as the case may be) into the maximum number of Shares those Equity Securities can be exercised, converted or exchanged into;

Government Agency means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity;

Independent Expert means the author of the IER;

Independent Expert's Report or IER means the independent expert's report attached to this Target's Statement as Attachment 1;

Insolvency Event has the meaning given to that term in the TID;

Issuer Sponsored Holding means a holding of UIL Energy Shares on the Issuer Sponsored Sub-register of UIL Energy;

Issuer Sponsored Sub-register has the meaning given in the ASX Settlement Operating Rules;

Merged Group means the Strike Energy Group which will exist following the Offers, should the Offers be successful and UIL Energy become a subsidiary of Strike West;

Minimum Acceptance Condition means the Share Offer Condition set out in Schedule 2 of the TID;

MMcf/d means million cubic feet a day;

Native Title Act means the *Native Title Act 1993* (Cth);

Nominee means a sale nominee approved by ASIC;

Offer(s) means the Share Offer or the CPS Offer or both (as the context requires);

Offer Consideration means the consideration offered pursuant to the Share Offer or the CPS Offer or both (as the context requires);

Offer Period means the period during which the Offers are open for acceptance as described in paragraph 2 of Schedule 1 of the Bidder's Statement in respect of the Share Offer and paragraph 2 of Schedule 2 in respect of the CPS Offer;

Offer Terms means the formal terms and conditions of the Share Offer set out in Schedule 1 of the Bidder's Statement and the CPS Offer set out in Schedule 2 of the Bidder's Statement;

Options means an option to subscribe for UIL Energy Shares;

Performance Rights has the meaning given to that term in the TID;

Petroleum has the meaning given to the expression 'Petroleum' in the SPE-PRMS;

PJ means Petajoule (10^{15} J);

Placement means the placement of Strike Energy Shares to institutional and professional investors announced on 24 October 2018;

Potential Competing Proposal means any offer, proposal or expression of interest which is not, but which could reasonably be expected to become, a Competing Proposal.

Prospective Resources has the meaning given to the expression 'Prospective Resources' in the SPE-PRMS;

Recoverable Resources has the meaning given to the expression 'Prospective Resources' in the SPE-PRMS;

Register Date means 23 October 2018, being the date set by Strike West under section 633(2) of the Corporations Act;

Related Body Corporate has the meaning given in the Corporations Act;

Representatives means in relation to a person, any director, officer or employee or agent of, and any accountant, auditor, financier, financial adviser, legal adviser, technical adviser or other expert adviser or consultant to, that person;

Reserves and Resources Evaluator has the meaning given to the term in the ASX Listing Rules;

Share Offer means:

- (a) the offer for Shares contained in Schedule 1 of the Bidder's Statement; or
- (b) the off-market takeover bid constituted by that offer and each other offer by Strike West for UIL Energy Shares in the form of that offer, in each case as varied in accordance with the Corporations Act,

as the context requires;

Share Offer Condition means each condition set out in Schedule 2 of the TID.

SPE-PRMS means the document titled 'Petroleum Resources Management System' published by the Society of Petroleum Engineers/World Petroleum Council/American Association of Petroleum Geologists/ Society of Petroleum Evaluation Engineers (SPE/WPCIAAPGISPEE) in March, 2007;

Strike or Strike Energy means Strike Energy Limited ACN 078 012 745, the ultimate holding company of Strike West;

Strike Energy Group means Strike and each of its Related Bodies Corporate;

Strike Energy Milestone Option means an option to subscribe for a Strike Energy Share on the terms and conditions set out in Schedule 5 of the TID and Schedule 3 of the Bidder's Statement;

Strike Energy Shares means fully paid ordinary shares issues in the capital of Strike Energy;

Strike West or Bidder means Strike West Holdings Pty Ltd ACN 616 395 398, a wholly owned subsidiary of Strike Energy;

Superior Proposal means a bona fide Competing Proposal received after the date of this deed that:

- (a) does not result from a breach by UIL Energy of any of its obligations under clause 5 of the Takeover Implementation Deed or from any act by a UIL Energy Group Member which, if done by UIL Energy, would constitute a breach of clause 5 of the Takeover Implementation Deed by UIL Energy; and
- (b) the UIL Energy Board determines, acting in good faith and after having taken advice from its external financial and legal advisers:
 - i) is reasonably capable of being implemented, taking into account all aspects of the Competing Proposal, including the time required to implement the Offers and the Offer Conditions; and
 - ii) would, if completed substantially in accordance with its terms, be more favourable to UIL Energy Shareholders (as a whole) than the Offers (as such transaction has been amended or varied following a previous application of the matching right set out in clause 5.7 of the Takeover Implementation Deed), taking into account all the terms and conditions of the Competing Proposal and the Offers.

Takeover Implementation Deed or TID means the takeover implementation deed entered into between UIL Energy and Strike Energy on 22 October 2018;

Takeovers Panel means the Takeovers Panel constituted under the Corporations Act;

Target Due Diligence Information has the meaning given to that term in the TID;

Target Material Adverse Change has the meaning given to that term in the TID;

Target's Statement means this document;

Third Party means any party other than a Strike Energy Group Member;

Trading Days has the meaning given in the ASX Listing Rules;

UIL Energy or Target or Company means UIL Energy Limited ACN 153 352 160;

UIL Energy 5c Option means an unlisted option to subscribe for UIL Energy Ordinary Shares with an exercise price of \$0.05 and expiry date of 31 December 2019;

UIL Energy 7.5c Option means an unlisted option to subscribe for UIL Energy Ordinary Shares with an exercise price of \$0.075 and expiry date of 31 December 2020;

UIL Energy 24c Option means an unlisted option to subscribe for UIL Energy Ordinary Shares with an exercise price of \$0.24 and expiry date of 31 December 2018;

UIL Energy Board or Board means the directors of UIL Energy acting collectively as its board of directors;

UIL Energy CPS or CPS means Class B Convertible Redeemable Preference Shares;

UIL Energy CPS Holder means a holder of CPS;

UIL Energy Group or Target Group means UIL Energy and each of its Related Bodies Corporate;

UIL Energy Group Member has the meaning given to that term in the TID;

UIL Energy Option or Option or Unlisted UIL Energy Option means the unlisted options to acquire UIL Energy Shares;

UIL Energy Optionholder or Optionholder means a holder of UIL Energy Options;

UIL Energy Securities means UIL Energy Shares and UIL Energy CPS;

UIL Energy Securityholder or Securityholder means a holder of UIL Energy Securities;

UIL Energy Shareholder or Shareholder means a holder of UIL Energy Shares;

UIL Energy Shares or Shares or Target Shares means issued fully paid ordinary shares in the capital of UIL Energy;

VWAP means Volume Weighted Average Price.

13.2 IN THIS TARGET'S STATEMENT, UNLESS THE CONTRARY INTENTION APPEARS:

- (a) the singular includes the plural and vice versa;
- (b) the masculine gender includes the feminine and (where a corporation is or may be concerned) the neuter;
- (c) words and expressions defined in the Corporations Act have the same meanings;
- (d) headings are for ease of reference only and do not affect the meaning or interpretation;
and
- (e) all currency and dollar amounts are denominated in Australian dollars unless noted otherwise.

Dated 7 November 2018.

Signed for and on behalf of UIL Energy Limited ACN 153 352 160 by Simon Hickey who is authorised so to sign pursuant to a resolution passed at a meeting of the UIL Energy Directors.

A handwritten signature in black ink, appearing to be 'SH', written in a cursive style.

Simon Hickey
Executive Chairman
UIL Energy Limited



UIL ENERGY LIMITED

Independent Expert's Report and Financial Services Guide

7 NOVEMBER 2018

FINANCIAL SERVICES GUIDE

Dated: 7 November 2018

The Financial Services Guide ('FSG') is provided to comply with the legal requirements imposed by the Corporations Act 2001 and includes important information regarding the general financial product advice contained in this report ('this Report'). The FSG also includes general information about BDO Corporate Finance (QLD) Ltd ABN 54 010 185 725, Australian Financial Services Licence No. 245513 ('BDOCF' or 'we', 'us' or 'our'), including the financial services we are authorised to provide, our remuneration and our dispute resolution.

BDOCF holds an Australian Financial Services Licence to provide the following services:

- a) Financial product advice in relation to deposit and payment products (limited to basic deposit products and deposit products other than basic deposit products), securities, derivatives, managed investment schemes, superannuation, and government debentures, stocks and bonds; and
- b) Arranging to deal in financial products mentioned in a) above, with the exception of derivatives.

General Financial Product Advice

This Report sets out what is described as general financial product advice. This Report does not consider personal objectives, individual financial position or needs and therefore does not represent personal financial product advice. Consequently, any person using this Report must consider their own objectives, financial situation and needs. They may wish to obtain professional advice to assist in this assessment.

The Assignment

BDOCF has been engaged to provide general financial product advice in the form of a report in relation to a financial product. Specifically, BDOCF has been engaged to provide an independent expert's report to the non-associated ordinary shareholders ('the Ordinary Shareholders') and convertible preference shareholders ('the Preference Shareholders') of UIL Energy Limited ('UIL Energy' or 'the Company') in relation to the off-market takeover bid made by Strike Energy Limited ('Strike Energy') for all of the ordinary shares in UIL Energy ('the Ordinary Share Offer') and all of the convertible redeemable preference shares in UIL Energy ('the Preference Share Offer'). The Ordinary Share Offer and the Preference Share Offer are collectively and respectively referred to as 'the Offers' in this Report (as the context requires).

Further details of the Offers are set out in Section 5.0. The scope of this Report is set out in detail in Section 4.3. This Report provides an opinion on whether or not:

- ▶ The Ordinary Share Offer is 'fair and reasonable' to the Ordinary Shareholders; and
- ▶ The Preference Share Offer is 'fair and reasonable' to the Preference Shareholders.

This Report has been prepared to provide information to the Ordinary Shareholders and the Preference Shareholders to assist them to make an informed decision on whether to accept or reject the Offers. Other important information relating to this Report is set out in more detail in Section 4.0.

This Report cannot be relied upon for any purpose other than the purpose mentioned above and cannot be relied upon by any person or entity other than those mentioned above, unless we have provided our express consent in writing to do so. An Ordinary Shareholder's or Preference Shareholder's decision to accept or reject the Offers is likely to be influenced by their particular circumstances (for example, their taxation considerations and risk profile). Each shareholder should obtain their own professional advice in relation to their own circumstances.

Fees, commissions and other benefits we may receive

We charge a fee for providing reports. The fees are negotiated with the party who engages us to provide a report. We estimate the fee for the preparation of this Report will be approximately \$65,000 plus GST. Fees are usually charged as a fixed amount or on an hourly basis depending on the terms of the agreement with the engaging party. Our fees for this Report are not contingent on the outcome of the Offer.

Except for the fees referred to above, neither BDOCF, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of this Report.

Directors of BDOCF may receive a share in the profits of BDO Group Holdings (QLD) Pty Ltd, a parent entity of BDOCF. All directors and employees of BDO Group Holdings (QLD) Pty Ltd and its subsidiaries (including BDOCF) are entitled to receive a salary. Where a director of BDOCF is a shareholder of BDO Group Holdings (QLD) Pty Ltd, the person is entitled to share in the profits of BDO Group Holdings (QLD) Pty Ltd.

Associations and relationships

From time to time BDOCF or its related entities may provide professional services to issuers of financial products in the ordinary course of its business. These services may include audit, tax and business advisory services. While BDOCF has not provided any professional services to UIL Energy in the last two years, we note that related entities have provided professional services including BDO (QLD) Pty Ltd providing tax compliance services and BDO Audit Pty Ltd is UIL Energy's external auditor.

The signatories to this Report do not hold any shares in UIL Energy and no such shares have ever been held by the signatories.

To prepare our reports, including this Report, we may use researched information provided by research facilities to which we subscribe or which are publicly available. Reference has been made to the sources of information in this Report, where applicable. Research fees are not included in the fee details provided in this Report.

Complaints

We are members of the Australian Financial Complaints Authority. Any complaint about our service should be in writing and sent to BDO Corporate Finance (QLD) Ltd, GPO Box 457, Brisbane QLD 4001.

We will endeavour to resolve the complaint quickly and fairly. If the complaint cannot be satisfactorily resolved within 45 days of written notification, there is a right to lodge a complaint with the Australian Financial Complaints Authority. They can be contacted on 1800 931 678. This service is provided free of charge.

If the complaint involves ethical conduct, a complaint may be lodged in writing with Chartered Accountants Australia and New Zealand, Queensland Branch, GPO Box 2054, Brisbane QLD 4001. The Australian Securities and Investments Commission ('ASIC') also has an Infoline on 1300 300 630 which can be used to make a complaint and obtain information about investor rights.

Compensation Arrangements

BDOCF and its related entities hold Professional Indemnity insurance for the purpose of compensating retail clients for loss or damage suffered because of breaches of relevant obligations by BDOCF or its representatives under Chapter 7 of the Corporations Act 2001. These arrangements and the level of cover held by BDOCF satisfy the requirements of section 912B of the Corporations Act 2001.

Contact Details

BDO Corporate Finance (QLD) Ltd

Location Address:	Postal Address:
Level 10 12 Creek Street BRISBANE QLD 4000	GPO Box 457 BRISBANE QLD 4001
Phone: (07) 3237 5999	Email: cf.brisbane@bdo.com.au
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GLOSSARY

Reference	Definition
A\$ or \$	Australian Dollars
ABV	Asset-Based Valuation
APES 225	Valuation Services issued by the Accounting Professional and Ethical Standards Board
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATO	Australian Tax Office
BBS	Bank Bill Swap Bid Rate
BcF	Billion Cubic Feet
BCG	Basin Centered Gas
Bcm	Billion Cubic Metres
BCP	Bizzell Capital Partners
BDO Persons	BDOCF, BDO (QLD) or any of its partners, directors, agents or associates
BDOCF	BDO Corporate Finance (QLD) Ltd
Bidder's Statement	Strike Energy's Bidder's Statement detailing the Offers made by Strike Energy to UIL Energy's Shareholders and Preference Shareholders dated 24 October 2018
Board, the	The Board of Directors of the Company
Bombora	Bombora Natural Energy Pty Ltd
Brickworks Buildings	Brickworks Building Products Pty Ltd
CBA	Commonwealth Bank of Australia
CME	Capitalisation of Maintainable Earnings
Company, the	UIL Energy Limited
Corporations Act, the	The Corporations Act 2001
CRPS	Convertible Redeemable Preference Share
CSG	Coal Seam Gas
DCF	Discounted Cash Flows
Directors, the	The Directors of the Company
EGO	Empire Oil and Gas limited

Reference	Definition
ENB	Eneabba Gas Ltd
EV	Enterprise Value
FIA	Farm-in Agreement
Foreign Shareholder	Shareholders of UIL Energy whose address shown in the register of members of UIL Energy is a place outside of Australia, and its external territories, and Singapore
FSG	Financial Services Guide
FY	The Financial Year or 12-month Period Ended on 30 June
GCC Methane	GCC Methane Pty Ltd
GPP	Greenpower Energy Limited
JOA	Joint Operating Agreement
LNG	Liquefied Natural Gas
LPG	Liquid Petroleum Gas
Management, the	The management of UIL Energy and its advisers
MBV	Market-Based Valuation
MMBOE	Million Barrels of Oil Equivalent
Oceanhill	Oceanhill Pty Ltd
Offer Period, the	25 October 2018 to 30 November 2018
Offers, the	The Ordinary Share Offer and the Preference Share Offer, collectively and respectively
Ordinary Shareholders, the	The Non-Associated Ordinary Shareholders of UIL Energy Limited
Ordinary Share Offer, the	Strike Energy Limited's Off-Market Offer for all of UIL Energy Limited's Ordinary Shares
Orica	Orica International Pte Ltd
Orora	Orora Limited
PCL	Pancontinental Ltd
PJ	Petajoules
Preference Shareholders	The Convertible Preference Shareholders of UIL Energy Limited
Preference Share Offer	Strike Energy Limited's Off-Market Offer for all of UIL Energy Limited's Preference Shares
PRMS	Petroleum Resources Management System

Reference	Definition
Regulations, the	The Corporations Regulations 2001
Report, this	This Independent Expert's Report prepared by BDOCF and dated 7 November 2018
RG 111	Regulatory Guide 111: Content of Expert Reports, issued by ASIC
RGs	Regulatory Guides published by ASIC
RISC	RISC Advisory Pty Ltd
RISC Report, the	RISC Advisory Pty Ltd's Technical Expert Report dated 6 November 2018
Shareholders, the	The Non-Associated Shareholders in the Company
SPP	Strike Energy Limited's on going Share Purchase Plan to raise \$5 million launched 24 October 2018
SSA	Share Sale Agreement
Strike Energy	Strike Energy Limited
Strike West	Strike West Holdings Pty Ltd
Target's Statement	UIL Energy's Target Statement detailing UIL Energy's response to the Offers made by Strike Energy dated on or around 7 November 2018
TID, the	Takeover Implementation Deed between UIL Energy and Strike Energy dated 22 October 2018
Tm ³	Trillion Cubic Metres
UIL Energy	UIL Energy Limited
VALMIN Code, the	The Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports
VWAP	Volume Weighted Average Price
We, us, our	BDO Corporate Finance (QLD) Ltd
Warrego	Warrego Energy Pty Ltd

PART I: ASSESSMENT OF THE OFFERS

The Non-Associated Ordinary Shareholders and Preference Shareholders
C/- The Non-Associated Directors
UIL Energy Limited
GPO Box 3284
Brisbane, QLD, 4001

7 November 2018

Dear Non-Associated Ordinary Shareholders and Preference Shareholders,

1.0 Introduction

BDO Corporate Finance (QLD) Ltd ('BDOCF', 'we', 'us' or 'our') has been engaged to provide an independent expert's report ('this Report') to the non-associated ordinary shareholders ('the Ordinary Shareholders') and convertible preference shareholders ('the Preference Shareholders') of UIL Energy Limited ('UIL Energy' or 'the Company') in relation to the off-market takeover bid made by Strike Energy Limited ('Strike Energy') for all of the ordinary shares in UIL Energy ('the Ordinary Share Offer') and all of the convertible redeemable preference shares ('CRPS') in UIL Energy ('the Preference Share Offer'). The Ordinary Share Offer and the Preference Share Offer are collectively and respectively referred to as 'the Offers' in this Report (as the context requires).

In broad terms, the consideration to be received:

- ▶ By Ordinary Shareholders under the Ordinary Share Offer is 0.485 Strike Energy shares for every one (1) UIL Energy ordinary share held; and
- ▶ By Preference Shareholders under the Preference Share Offer is 0.485 Strike Energy Milestone Options for every one (1) UIL Energy convertible preference share held.

A more detailed summary of the Offers is set out in Section 5.0 of this Report.

In this Report, BDOCF has expressed an opinion as to whether or not:

- ▶ The Ordinary Share Offer is 'fair and reasonable' to the Ordinary Shareholders (refer Section 2.0 below); and
- ▶ The Preference Share Offer is 'fair and reasonable' to the Preference Shareholders (refer Section 3.0 below).

This Report has been prepared solely for use by the Ordinary Shareholders and the Preference Shareholders to provide them with information relating to the Offers. The scope and purpose of this Report are detailed in Sections 4.3 and 4.4 respectively.

This Report, including Part I, Part II and the appendices, should be read in full along with all other documentation provided to the Ordinary Shareholders and the Preference Shareholders, including the Takeover Implementation Deed dated 22 October 2018 ('the TID'), the Bidder's Statement dated 24 October 2018 prepared by Strike Energy ('Bidder's Statement') and the Target's Statement dated on or around 7 November 2018 prepared by UIL Energy ('the Target's Statement').

2.0 Assessment of the Ordinary Share Offer

This section is set out as follows:

- ▶ Section 2.1 sets out the methodology for our assessment of the Ordinary Share Offer;
- ▶ Section 2.2 sets out our assessment of the fairness of the Ordinary Share Offer;
- ▶ Section 2.3 sets out our assessment of the reasonableness of the Ordinary Share Offer; and
- ▶ Section 2.4 provides our conclusion on whether the Ordinary Share Offer is fair and reasonable to the Ordinary Shareholders.

2.1 Basis of Evaluation of the Ordinary Share Offer

ASIC have issued Regulatory Guide 111: *Content of Expert Reports* ('RG 111'), which provides guidance in relation to independent expert's reports. RG 111 relates to the provision of independent expert's reports in a range of circumstances, including those where the expert is required to provide an opinion in relation to a takeover transaction. RG 111 states that the independent expert's report should explain the particulars of how the transaction was examined and evaluated as well as the results of the examination and evaluation.

The Ordinary Share Offer involves Strike Energy potentially acquiring up to 100% of the ordinary shares in UIL Energy, which represents a controlling interest stake. RG 111 specifically differentiates between control and non-control transactions in providing guidance on the type of analysis to complete. RG 111 suggests that where the transaction is a control transaction the expert should focus on the substance of the control transaction rather than the legal mechanism to affect it. In our opinion the Ordinary Share Offer is a control transaction as defined by RG 111 and we have assessed the Ordinary Share Offer by considering whether, in our opinion, it is fair and reasonable to the Shareholders.

Under RG 111, an offer will be considered 'fair' if the value of the consideration to be received by the shareholders is equal to or greater than the value of the shares that are the subject of the offer. To assess whether an offer is 'reasonable', an expert should examine other significant factors to which shareholders may give consideration prior to accepting or approving the offer. This includes comparing the likely advantages and disadvantages if the offer is approved with the position of the shareholders if the offer is not approved.

RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept an offer in the absence of a higher bid. Our assessment concludes by providing our opinion as to whether or not the Ordinary Share Offer is 'fair and reasonable'. While all relevant issues need to be considered before drawing an overall conclusion, we will assess the fairness and reasonableness issues separately for clarity.

We have assessed the fairness and reasonableness of the Ordinary Share Offer in Sections 2.2 and 2.3 below and concluded on whether the Ordinary Share Offer is 'fair and reasonable' to the Ordinary Shareholders in Section 2.4 below.

2.2 Assessment of Fairness of the Ordinary Share Offer

2.2.1 Basis of Assessment

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. When considering the value of the securities subject of the offer in a control transaction, the expert should consider the value inclusive of a control premium and assume a 100% ownership interest.

In our view, to assess whether the Ordinary Share Offer is 'fair' it is appropriate to:

- a) Determine the value of a UIL Energy share on a controlling interest basis;
- b) Determine the value of the consideration relevant to our assessment of the Ordinary Share Offer, which includes adopting an appropriate value for a Strike Energy share on a minority interest basis; and
- c) Compare the value determined in a) above with the value of the scrip consideration to be received by the Ordinary Shareholders for each UIL Energy share under the Ordinary Share Offer.

In accordance with the requirements of RG 111, the Ordinary Share Offer can be considered 'fair' to the Ordinary Shareholders if the consideration offered per share is equal to or greater than the value determined in a) above.

2.2.2 Value of a UIL Energy Ordinary Share

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$0.0302 to \$0.0981 per UIL Energy share on a controlling interest basis, with a best estimate of \$0.0542 per UIL Energy share. In forming this view, we have adopted an Asset-Based Valuation ('ABV') methodology as our primary valuation methodology and a Market-Based Valuation ('MBV') methodology as a secondary cross-check methodology.

In completing our ABV methodology, we have relied on the work of RISC Advisory Pty Ltd ('RISC') who we engaged to value UIL Energy's permits. The RISC Technical Expert's Report dated 6 November 2018 ('the RISC Report') is attached as Appendix B to this Report. RISC has valued the technical assets in Section 4.4 of the RISC Report. We have summarised RISC's values adopted valuation methodologies in Section 10.3.1 below. While RISC has provided us with information which indicates they have the requisite experience to complete a technical valuation of the permits and we have critically analysed their work, we are not responsible for the RISC Report.

Our valuation of UIL Energy is set out in Section 10.0 of this Report.

2.2.3 Value of the Consideration Under the Ordinary Share Offer

Value of a Strike Energy Share

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$0.1150 to \$0.1300 per Strike Energy share on a minority interest basis. In forming this view, we have adopted an MBV methodology that references recent trading in Strike Energy's shares and the capital raising completed on 31 October 2018.

Our valuation of Strike Energy is set out in Section 11 of this Report.

Value of the Ordinary Share Offer Consideration

As per the terms of the Ordinary Share Offer, UIL Energy Ordinary Shareholders who accept the Ordinary Share Offer will receive 0.485 Strike Energy shares for every one (1) UIL Energy share held. We have calculated the Ordinary Share Offer consideration by multiplying our Strike Energy valuation range by the scrip ratio of 0.485.

Table 2.1 below summarises our calculation of the Ordinary Share Offer consideration.

Table 2.1: Calculation of the Ordinary Share Offer Consideration

	Low	High
Value per Strike Energy share on a minority interest basis	\$0.1150	\$0.1300
x Scrip ratio	0.485	0.485
Value of the Ordinary Share Offer consideration	\$0.0558	\$0.0631

Source: BDOCF Analysis

With reference to Table 2.1 above, we have calculated the value of the Ordinary Share Offer consideration to be in the range of \$0.0558 to \$0.0631.

We note that it is uncertain when the Ordinary Share Offer consideration will be received by a UIL Energy Ordinary Shareholder that accepts the Ordinary Share Offer. The value that is ultimately derived by a UIL Energy Ordinary Shareholder selling the Strike Energy shares they obtain under the terms of the Ordinary Share Offer is dependent on the market value of the Strike Energy shares at the time they are sold. This potential for the Strike Energy share price to move materially between the date of this Report and the date the Strike Energy shares are received by a UIL Energy Ordinary Shareholder should be considered when forming a view on whether to accept the Ordinary Share Offer.

2.2.4 Assessment of the Fairness of the Ordinary Share Offer

In order to assess the fairness of the Ordinary Share Offer we have compared the value per UIL Energy share on a controlling interest basis to the value of the Ordinary Share Offer consideration. Pursuant to RG 111, the Ordinary Share Offer is considered fair if the value of the Ordinary Share Offer consideration is equal to or greater than the value of the securities the subject of the Ordinary Share Offer (i.e. the value of a UIL Energy share).

Table 2.2 below summarises our assessment of the fairness of the Ordinary Share Offer.

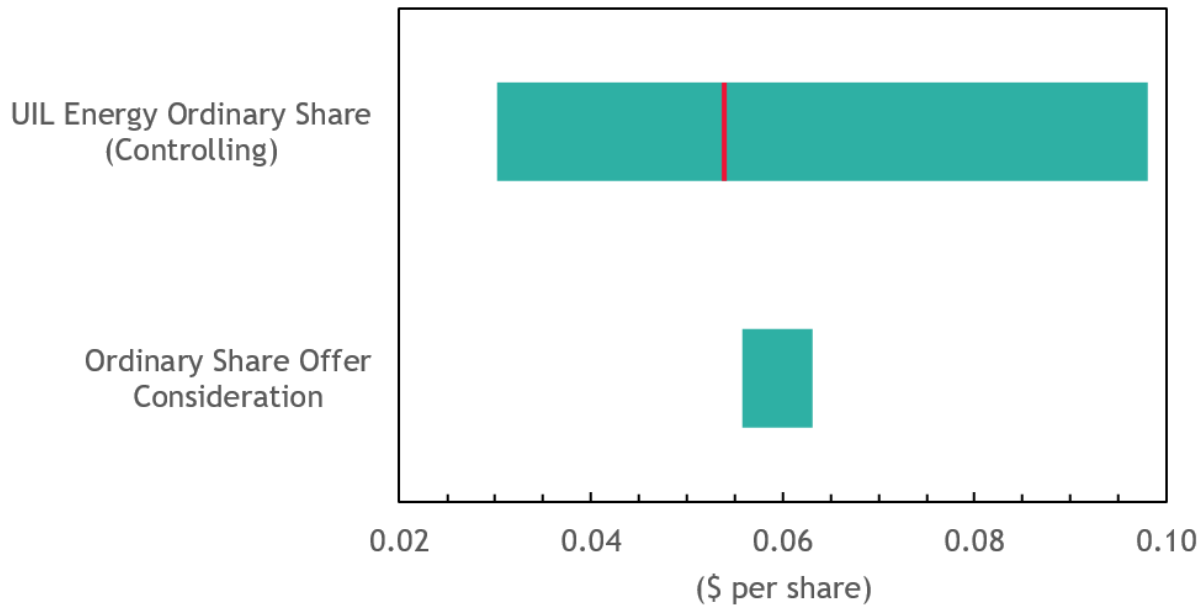
Table 2.2: Assessment of the Fairness of the Ordinary Share Offer

	Low	Best	High
Value of a UIL Energy share on a controlling interest basis	\$0.0302	\$0.0542	\$0.0981
Value of the Ordinary Share Offer consideration	\$0.0558	N/A	\$0.0631

Source: BDOCF Analysis

Figure 2.1 summarises our assessment of the fairness of the Ordinary Share Offer, setting out a graphical comparison of our valuation of a UIL Energy share on a controlling interest basis and the consideration offered to the Ordinary Shareholders under the Ordinary Share Offer.

Figure 2.1: Fairness of the Ordinary Share Offer



Source: BDOCF analysis

With reference to Table 2.2 and Figure 2.1 above, we note the Ordinary Share Offer consideration value range is within the range of the value of a UIL Energy ordinary share on a controlling interest basis. We also note the Ordinary Share Offer consideration value range is above the best estimate of a UIL Energy ordinary share on a controlling interest basis of \$0.0542.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of a superior offer or any other information, the Ordinary Share Offer is **Fair** to Shareholders as at the date of this Report.

2.3 Assessment of Reasonableness of the Ordinary Share Offer

2.3.1 Basis of Assessment

Under RG 111, a transaction is considered reasonable if it is fair. It may also be reasonable, despite not being fair, if after considering other significant factors the interests of the Ordinary Shareholders are reasonably balanced.

In addition to our fairness assessment set out in Section 2.2 above, to assess whether the Ordinary Share Offer is ‘reasonable’ we consider it appropriate to examine other significant factors to which the Ordinary Shareholders may give consideration prior to forming a view on whether to accept or reject the Ordinary Share Offer. This includes comparing the likely advantages and disadvantages of accepting the Ordinary Share Offer with the position of an Ordinary Shareholder if the Ordinary Share Offer is not accepted, as well as a consideration of other significant factors.

Our assessment of the reasonableness of the Ordinary Share Offer is set out as follows:

- ▶ Section 2.3.2 sets out the advantages of the Ordinary Share Offer to the Ordinary Shareholders;
- ▶ Section 2.3.3 sets out the disadvantages of the Ordinary Share Offer to the Ordinary Shareholders;
- ▶ Section 2.3.4 sets out discussion of other considerations relevant to the Ordinary Share Offer;
- ▶ Section 2.3.5 sets out the position of the Ordinary Shareholders if the Ordinary Share Offer is not accepted and implemented; and
- ▶ Section 2.3.6 provides our opinion on the reasonableness of the Ordinary Share Offer to the Ordinary Shareholders.

2.3.2 Advantages of the Ordinary Share Offer

Table 2.3 below outlines the potential advantages to the Ordinary Shareholders of accepting the Ordinary Share Offer.

Table 2.3: Potential Advantages of the Ordinary Share Offer

Advantage	Explanation
The Ordinary Share Offer is fair	As set out in Section 2.2 above, the Ordinary Share Offer is fair to the Shareholders as at the date of this Report. RG 111 states that an offer is reasonable if it is fair.
Retain exposure to UIL Energy’s existing assets	If the Ordinary Share Offer is accepted and implemented, Ordinary Shareholders will continue to be exposed to the risks and opportunities associated with the ownership of UIL Energy’s existing asset portfolio, as they will hold scrip in Strike Energy.

Advantage	Explanation
Gain diversified exposure to Strike Energy's portfolio of assets in the Perth Basin and the Cooper Basin	<p>If the Ordinary Share Offer is accepted and implemented, Ordinary Shareholders will become exposed to the risks and opportunities associated with Strike Energy's broader portfolio of assets in the Perth Basin and the Cooper Basin, providing geographical diversification benefits and exposure to assets at varying stages of exploration and appraisal. In particular, we note that Ordinary Shareholders will gain exposure to two Strike Energy projects that the directors of Strike Energy are considered to have the potential to lead to commercial discoveries and act as significant share price catalysts in the near term:</p> <ul style="list-style-type: none"> ▶ The Jaws-1 well, which forms part of the Southern Cooper Basin Gas Project; and ▶ The West Erregulla 2 well, which forms part of the West Erregulla Project in the Perth Basin and is expected to be drilled during the first quarter of 2019.
Gain exposure to possible value accretion arising from Strike Energy's management and technical expertise	<p>Strike Energy has an experienced board and senior management team with a proven track record in oil and gas exploration, appraisal and development. In addition, Strike Energy has significant in-house technical expertise and knowledge of oil and gas assets in Australia, with a track-record of proving-up early-stage exploration assets and creating value through corporate and project transaction activity.</p> <p>If the Ordinary Share Offer is accepted and implemented, the Ordinary Shareholders will have exposure to any value accretion that may arise as a result of the expertise of Strike Energy's management and technical teams, which may not otherwise have been available to Ordinary Shareholders in the absence of the Ordinary Share Offer.</p>
Potential to unlock various operational synergies	<p>Combining the complimentary acreage positions of UIL Energy and Strike Energy in the Perth Basin has the potential to create a meaningful Perth Basin operator with the scale and critical mass required to negotiate improved terms with its primary contractors, reducing the unit funding cost of any discoveries across the combined asset portfolio. Further operational synergies are also expected to be achieved by reducing corporate overheads (by removing duplication) and utilising Strike Energy's fully resourced in-house team (rather than outsourcing to consultants).</p>
Enhances the possibility of securing the funding required to progress the Company's proposed exploration activities in the Perth Basin	<p>UIL Energy's ability to exploit the value of its existing asset portfolio is dependent on the Company being able to secure the funding required to progress its proposed exploration activities. Although UIL Energy's funding to date has been sufficient to maintain its permits in good standing, the Company has been unable to secure the funding required to progress its proposed drilling and seismic program in the Perth Basin.</p> <p>The Directors have advised that UIL Energy's proposed drilling and seismic program requires over \$30 million of funding in the initial phases, which significantly exceeds the Company's current market capitalisation. Further, we are advised the Company must meet commitments of approximately \$6.7 million within the next 12 months in order to keep the permits in good standing, in the absence of the Minister granting an extension and variation. As at 31 October 2018, the Company held cash and cash equivalents of approximately \$1.0 million.</p> <p>The recently completed placement raising \$13 million and Share Purchase Plan ('SPP') to potentially raise up to \$5 million by Strike Energy (refer to Section 7.4.1) provides the company with an enhanced ability to fund the near-term West Erregulla 2 drilling program, complete the piloting activities of the Jaws wells at the Southern Cooper Basin Gas Project and (if the Ordinary Share Offer is accepted and implemented) progress UIL Energy's currently unfunded commitments that fall due in the first half of 2019.</p> <p>As the combined group will have a larger market capitalisation and a more diversified portfolio of assets compared to UIL Energy currently, Ordinary Shareholders will also likely benefit from having greater access to both debt and equity funding moving forward, particularly as Strike Energy progresses from an exploration and development company to a production company.</p>
Access to enhanced liquidity	<p>Historically, Strike Energy shares have benefited from greater liquidity compared to UIL Energy shares. Over the period 1 October 2017 to 31 October 2018, the volume of Strike Energy shares that have been traded is equal to 39.44% of the total number of shares outstanding (refer to Table 7.7). Over the same period, the volume of UIL Energy shares that have been traded is equal to 24.94% of the total number of shares outstanding (refer to Table 6.8).</p> <p>Improved liquidity may provide Ordinary Shareholders with an enhanced ability to realise the inherent value in their shareholding. Although the liquidity of Strike Energy shares is superior to the liquidity of UIL Energy shares, in our opinion Strike Energy shares still display a relatively low to moderate level of liquidity compared to other companies listed on the ASX.</p>
A superior proposal to acquire all the shares in UIL Energy has not been received	<p>As at the date of this Report, the Directors advise that a superior proposal to the Ordinary Share Offer has not been received by the Company.</p>
No stamp duty or brokerage costs	<p>Ordinary Shareholders will not pay any stamp duty on accepting the Ordinary Share Offer. Further, if Ordinary Shareholders (excluding Foreign Shareholders) have their UIL Energy shares registered in an Issuer Sponsored Holding in their name and deliver their UIL Energy shares directly to Strike Energy, they will not incur any brokerage fees on accepting the Ordinary Share Offer. Foreign Shareholders may incur brokerage as a result of nominee selling relevant Strike Energy shares on their behalf.</p>

Source: BDOCF analysis

2.3.3 Disadvantages of the Ordinary Share Offer

Table 2.4 below outlines the potential disadvantages to the Ordinary Shareholders of accepting the Ordinary Share Offer.

Table 2.4: Potential Disadvantages of the Ordinary Share Offer

Disadvantage	Explanation
No exposure to any future Ordinary Share Offers	If the Ordinary Share Offer is accepted and implemented, the Ordinary Shareholders will no longer be able to benefit from any superior future Ordinary Share Offers that may come from either Strike Energy or another party. Notwithstanding, we understand that no superior Ordinary Share Offer has been received by UIL Energy to date and there is no guarantee that a future Ordinary Share Offer will be forthcoming. In the absence of any superior Ordinary Share Offer, the Directors of UIL Energy recommend Ordinary Shareholders accept the Ordinary Share Offer.
Dilution of Ordinary Shareholders	Prior to the Ordinary Share Offer, Ordinary Shareholders collectively owned 100% of UIL Energy's ordinary shares. If the Ordinary Share Offer is accepted and implemented, Ordinary Shareholders will collectively hold a 9.98% (refer to Section 5.1 of this Report) ownership interest in Strike Energy (and indirectly in UIL Energy), which represents a minority interest. Additionally, Strike Energy may issue new securities after the implementation of the Ordinary Share Offer at the discretion of the Strike Energy board of directors, which may further dilute Ordinary Shareholders. Ordinary Shareholders may prefer to retain a 100% interest in UIL Energy rather than a minority interest in Strike Energy.
The Ordinary Share Offer is conditional	The Ordinary Share Offer is conditional on a 50.1% minimum acceptance condition, no prescribed occurrences (as defined in the Bidder's Statement), no material fall in the value of the S&P/ASX 200 Index ¹ and no material breach of the target conduct of business prohibitions or target warranties under the TID. As such, there is a risk that the Ordinary Share Offer is accepted but does not complete. Further, if Strike Energy waves its minimum acceptance condition and acquires an ownership interest of less than 50.1%, it may impact upon Strike Energy's intentions for UIL Energy.
Exposure to research and development tax incentive dispute with the ATO	As noted in the Bidder's Statement, Strike Energy is currently in dispute with the Australian Tax Office ('ATO') regarding the eligibility of a \$6.3 million research and development tax incentive claim relating to the period 1 July 2015 to 30 June 2016. If this claim is ultimately found to be non-compliant in whole or in part, Strike Energy could be required to repay some or all of the claim refund it has received. Depending on the cash available to Strike Energy at the time and the ability of Strike Energy to negotiate a deferred payment arrangement with the ATO, Strike Energy may be required to raise additional funds to fund the repayment. A non-compliant ruling may also potentially trigger a review of Strike Energy's research and development tax incentive claims in other years, with the potential risk of an adverse finding in relation to those claims.
Exposure to CBA bank facility due for repayment on 30 November 2018	Strike Energy currently has a \$5.4 million debt facility with the Commonwealth Bank of Australia ('CBA') that has been drawn to \$5.265 million and is due for repayment on 30 November 2018. Strike Energy intends to repay this facility using the proceeds of its research and development tax incentive claim for the period 1 July 2017 to 30 June 2018. However, Strike Energy's application is currently the subject of examination and it is likely that the examination will not be completed and the refund will not be received in time to meet the facility repayment date. Strike Energy is currently in discussions with CBA regarding the extension or refinancing of the facility. If Strike Energy is unable to reach an agreement with CBA and does not receive the anticipated research and development tax refund, the company may be required to raise additional funds to the extent it has insufficient cash available at the time to fund the repayment of the CBA bank facility and meet its other commitments.

Source: BDOCF analysis

¹ Between the announcement date and the end of the Ordinary Share Offer period (each inclusive), the S&P/ASX 200 Index does not close 10% or more below the closing level on the announcement date for 5 or more consecutive trading days.

2.3.4 Other Considerations

Tax Considerations

If the Ordinary Share Offer is accepted and implemented, Ordinary Shareholders will be treated as having disposed of their shares for tax purposes. A gain or loss on disposal may arise depending on the cost base of each individual Ordinary Shareholder's shares, the length of time held, whether the shares are held on capital or revenue account and whether or not the Ordinary Shareholder is an Australian resident for tax purposes.

As Ordinary Shareholders are receiving scrip in Strike Energy under the terms of the Ordinary Share Offer, we note Ordinary Shareholders may be eligible for Australian capital gains tax rollover relief. However, the availability of scrip for scrip rollover relief on the disposal of UIL Energy shares is only available to Ordinary Shareholders if Strike Energy acquires 80% or more of the UIL Energy shares on issue. If this does not occur and Strike Energy waives the 50.1% minimum acceptance condition and makes the Offers unconditional, UIL Energy Ordinary Shareholders will not be able to defer any capital gains that they realise on the disposal of their UIL Energy shares.

Further information on the taxation consequences of the Ordinary Share Offer are set out in Section 9 of the Bidder's Statement and Section 4.6 of the Target's Statement. Ordinary Shareholders should consult their own advisers in relation to the taxation consequences of the Ordinary Share Offer.

2.3.5 Position of the Ordinary Shareholders if the Ordinary Share Offer is Not Accepted and Implemented

Table 2.5 below outlines the possible position of the Ordinary Shareholders in the event that the Ordinary Share Offer is not accepted and implemented. We note that the Ordinary Share Offer may not proceed for a number of reasons including, but not limited to, the conditions precedent to the Ordinary Share Offer not being satisfied (refer to Section 5.3 of this Report).

Table 2.5: Position of Ordinary Shareholders if the Ordinary Share Offer is Not Implemented

Position of Ordinary Shareholders	Explanation
Continued shareholding in UIL Energy	If the Ordinary Share Offer is not accepted and implemented, Ordinary Shareholders will continue to hold shares in UIL Energy. As such, Ordinary Shareholders will continue to be exposed to the risks and opportunities associated with the ownership of UIL Energy shares.
Share trading prices may be materially different to recent share trading prices and the shares in UIL Energy may trade at prices that are lower than the value of the Ordinary Share Offer consideration	If the Ordinary Share Offer is not accepted and implemented, the price of UIL Energy shares may decrease relative to recent trading prices and the decrease may be material. As outlined in Section 6.5, recent trading of UIL Energy shares on the ASX has been at VWAPs in the range of \$0.0405 (12-month VWAP prior to the announcement of the Offer) to \$0.0560 (1-week VWAP prior to the announcement of the Offer). It is important to note that shares in UIL Energy have been valued in this Report on a controlling interest basis to assess the Ordinary Share Offer. If the Ordinary Share Offer is not accepted and implemented, the price of a share in UIL Energy is likely to change to represent the value of UIL Energy on a minority interest basis. If the Ordinary Share Offer is not accepted and implemented, it is possible that shares in UIL Energy will trade at a price that is materially lower than the value of the Ordinary Share Offer consideration.
Prospect of a superior offer or alternative transaction	If the Ordinary Share Offer is not accepted and implemented, it is possible Ordinary Shareholders may receive another Ordinary Share Offer that is superior to the value of the Ordinary Share Offer consideration. As at the date of this Report however, the Directors have not received another proposal that is superior to the Ordinary Share Offer.
UIL Energy may be unable to progress its proposed exploration activities in the Perth Basin in the foreseeable future	If the Ordinary Share Offer is not accepted and implemented and no other similar or superior proposals are received, UIL Energy may not have the funding or operating capacity required to progress its proposed exploration activities in the Perth Basin in the foreseeable future. As such, UIL Energy may be unable to progress its proposed drilling and seismic program over a similar timeframe as may be possible if the Ordinary Share Offer is accepted and implemented.
UIL Energy may be required to source alternative sources of funding	UIL Energy requires funding to meet its near-term permit obligations (\$6.7 million due in the next 12-month period) and fund its ongoing working capital requirements (approximately \$70,000 of cash burn per month). As at 31 October 2018, the Company held cash and cash equivalents of approximately \$1.0 million. In circumstances where UIL Energy is unable to secure the funding it requires on reasonable terms however, it would likely have significant adverse consequences for UIL Energy and Ordinary Shareholders. There is no guarantee that UIL Energy will be able to source funding on appropriate terms in circumstances where the Offers are not accepted and implemented.
Non-recoverable costs	UIL Energy will incur costs in relation to the Offer irrespective of whether or not the Offer is accepted and implemented. UIL Energy will not be able to recover the costs that it has incurred in relation to the Offer in the event that the Offer is not accepted and implemented.

Source: BDOCF analysis

2.3.6 Assessment of the Reasonableness of the Ordinary Share Offer

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Ordinary Share Offer is **Reasonable** to Shareholders as at the date of this Report.

2.4 Opinion on the Ordinary Share Offer

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Ordinary Share Offer is **Fair and Reasonable** to Shareholders as at the date of this Report.

Before forming a view on whether to accept or reject the Ordinary Share Offer, we strongly recommend that Shareholders:

- ▶ Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 4.0, before deciding whether to accept or reject the Ordinary Share Offer;
- ▶ Consult their own professional advisers; and
- ▶ Consider their specific circumstances.

The decision to accept or reject the Ordinary Share Offer is a separate decision to the investment decision to hold or divest shares in either UIL Energy or Strike Energy. UIL Energy is involved in oil and gas exploration and Strike Energy is engaged in the exploration, appraisal and development of oil and gas assets that are at various stages of



commercialisation. In our view, the value of such companies may increase or decrease materially over short time periods depending upon the outcome of their various activities and changes in economic circumstances.

We recommend Ordinary Shareholders consider their own circumstances and consult their own professional advisers before making any decisions.

3.0 Assessment of the Preference Share Offer

This section is set out as follows:

- ▶ Section 3.1 sets out the methodology for our assessment of the Preference Share Offer;
- ▶ Section 3.2 sets out our assessment of the fairness of the Preference Share Offer;
- ▶ Section 3.3 sets out our assessment of the reasonableness of the Preference Share Offer; and
- ▶ Section 3.4 provides our conclusion on whether the Preference Share Offer is fair and reasonable to the Preference Shareholders.

3.1 Basis of Evaluation of the Preference Share Offer

Our basis for evaluating the Preference Share Offer is consistent with our basis for evaluating the Share Offer (refer to Section 2.1 above).

We have referred to RG 111 for the purposes of assessing the Preference Share Offer. In our opinion the Preference Share Offer is a control transaction as defined by RG 111 and we have assessed the Preference Share Offer by considering whether, in our opinion, it is 'fair and reasonable' to the Preference Shareholders.

We have assessed the fairness and reasonableness of the Preference Share Offer in Sections 3.2 and 3.3 below and concluded on whether the Preference Share Offer is 'fair and reasonable' to the Preference Shareholders in Section 3.4 below.

3.2 Assessment of Fairness of the Preference Share Offer

3.2.1 Basis of Assessment

Our assessment of the fairness of the Preference Share Offer is similar to our assessment of the fairness of the Ordinary Share Offer and has regard to the guidance provided in RG 111.

In our view, to assess whether the Preference Share Offer is 'fair' it is appropriate to:

- a) Determine the value of a UIL Energy convertible preference share on a controlling interest basis, which involves considering:
 - i. The value of UIL Energy shares on a controlling interest basis;
 - ii. The probability the CRPS will be converted into UIL Energy shares before their redemption date;
- b) Determine the value of the consideration relevant to our assessment of the Preference Share Offer, which involves considering:
 - i. The value of Strike Energy shares on a minority interest basis; and
 - ii. The probability the Strike Energy Milestone Options will be exercised before their expiry date; and
- c) Compare the value determined in a) above with the value of the consideration to be received by the Preference Shareholders for each UIL Energy convertible preference share under the Preference Share Offer.

In accordance with the requirements of RG 111, the Preference Share Offer can be considered 'fair' to the Preference Shareholders if the consideration offered per convertible preference share is equal to or greater than the value determined in a) above.

3.2.2 Value of a UIL Energy Convertible Preference Share

Value of a UIL Energy Share

As per Section 2.2.2 above, we consider it appropriate to adopt a value in the range of \$0.0302 to \$0.0981 per UIL Energy share on a controlling interest basis for the purposes of our analysis in this Report, with a best estimate of \$0.0542 per UIL Energy share.

Our valuation of UIL Energy is set out in Section 10.0 of this Report.

Probability of the CRPS Converting

In our view, it is appropriate to assume the CRPS have a 3.33% chance of converting into UIL Energy shares before their redemption date.

Further information on the CRPS is set out in Section 6.4.2 of this Report.

Value of the CRPS

In our view, for the purposes of the analysis set out in this Report, it is appropriate to adopt a value in the range of \$0.0010 to \$0.0033 per UIL Energy convertible preference share on a controlling interest basis, with a best estimate of \$0.0018 per UIL Energy CRPS.

Our valuation of UIL Energy is set out in Section 10.0 of this Report.

3.2.3 Value of the Consideration Under the Preference Share Offer

Value of a Strike Energy Share

As per Section 2.2.3 above, we consider it appropriate to adopt a value in the range of \$0.1150 to \$0.1300 per Strike Energy share on a minority interest basis for the purposes of our analysis in this Report.

Our valuation of Strike Energy is set out in Section 11.0 of this Report.

Probability of the Strike Energy Milestone Options Being Exercised

We have assumed that the probability of the Strike Energy Milestone Options being exercised will at least be equal to the probability of the CRPS converting. We hold this view on the basis that the terms of the Strike Energy Milestone Options are similar to the terms of the CRPS however Strike Energy's larger market capitalisation and asset base may make it easier for Strike Energy to source the funding required to pursue the development of the Ocean Hill #2 well and determine its success before the Strike Energy Milestone Options expire. For the purposes of this Report, we consider it appropriate to assume the Strike Energy Milestone Options have a 3.33% chance of being exercised before their expiry date.

Further information on the Strike Energy Milestone Options is set out in Section 12.3 of this Report.

Value of the Preference Share Offer Consideration

As per the terms of the Preference Share Offer, Preference Shareholders who accept the Preference Share Offer will receive 0.485 Strike Energy Milestone Options for every one (1) UIL Energy convertible preference share held. We have calculated the Preference Share Offer consideration by multiplying our Strike Energy valuation range by the probability of the Strike Energy Milestone Options being exercised and the option ratio of 0.485.

Table 3.1 below summarises our calculation of the Preference Share Offer consideration.

Table 3.1: Calculation of the Preference Share Offer Consideration

	Low	High
Value per Strike Energy share on a minority interest basis	\$0.1150	\$0.1300
x Option ratio	0.485	0.485
x Probability of a Strike Energy Milestone Option being exercised	3.33%	3.33%
Value of the Preference Share Offer consideration	\$0.0019	\$0.0021

Source: BDOCF Analysis

With reference to Table 3.1 above, we have calculated the value of the Preference Share Offer consideration to be in the range of \$0.0019 to \$0.0021.

3.2.4 Assessment of the Fairness of the Preference Share Offer

In order to assess the fairness of the Preference Share Offer we have compared the value per UIL Energy convertible preference share on a controlling interest basis to the value of the Preference Share Offer consideration. Pursuant to RG 111, the Preference Share Offer is considered fair if the value of the Preference Share Offer consideration is equal to or greater than the value of the securities the subject of the Preference Share Offer (i.e. the value of a UIL Energy convertible preference share).

Table 3.2 below summarises our assessment of the fairness of the Preference Share Offer.

Table 3.2: Assessment of the Fairness of the Preference Share Offer

	Low	Best	High
Value of a UIL Energy convertible preference share on a controlling interest basis	\$0.0010	\$0.0018	\$0.0033
Value of the Preference Share Offer consideration	\$0.0019	N/A	\$0.0021

Source: BDOCF Analysis

With reference to Table 3.2, we note that the Preference Share Offer consideration value range is within the range of the value of a UIL Energy preference share on a controlling interest basis. We also note the Preference Share Offer consideration value range is above the best estimate of a UIL Energy preference share on a controlling interest basis of \$0.0018.

After considering the information summarised above and set out in detail in the balance of this Report, it is our view that, in the absence of a superior offer or any other information, the Preference Share Offer is **Fair** to Preference Shareholders as at the date of this Report.

3.3 Assessment of Reasonableness of the Preference Share Offer

3.3.1 Basis of Assessment

Our assessment of the reasonableness of the Preference Share Offer is similar to our assessment of the reasonableness of the Ordinary Share Offer and has regard to the guidance provided in RG 111.

In this section, we outline those matters that exclusively relate to our assessment of the reasonableness of the Preference Share Offer (as opposed to the Ordinary Share Offer). Notwithstanding, in our view, the points raised as part of our assessment of the reasonableness of the Ordinary Share Offer are also relevant to our assessment of the reasonableness of the Preference Share Offer, as Preference Shareholders will receive shares in Strike Energy in circumstances where the Strike Energy Milestone Options vest and are then exercised. For this reason, Preference Shareholders should also refer to our assessment of the reasonableness of the Ordinary Share Offer in Section 2.3 above in forming a view on the reasonableness of the Preference Share Offer.

Our assessment of the reasonableness of the Preference Share Offer is set out as follows:

- ▶ Section 3.3.2 sets out the advantages of the Preference Share Offer exclusive to the Preference Shareholders;
- ▶ Section 3.3.3 sets out the disadvantages of the Preference Share Offer exclusive to the Preference Shareholders;
- ▶ Section 3.3.4 sets out discussion of other considerations exclusively relevant to the Preference Share Offer;
- ▶ Section 3.3.5 sets out the position of the Preference Shareholders if the Preference Share Offer is not accepted and implemented; and
- ▶ Section 3.3.6 provides our opinion on the reasonableness of the Preference Share Offer to the Preference Shareholders.

3.3.2 Advantages of the Preference Share Offer

Table 3.3 below outlines the potential advantages to the Preference Shareholders of accepting the Preference Share Offer.

Table 3.3: Potential Advantages of the Preference Share Offer

Advantage	Explanation
The Preference Share Offer is fair	As set out in Section 3.2 above, the Preference Share Offer is fair to the Preference Shareholders as at the date of this Report. RG 111 states that an offer is reasonable if it is fair.
Advantages of the Ordinary Share Offer also apply to Preference Shareholders	Refer to Section 2.3.2 above for further information on the potential advantages to the Preference Shareholders of accepting the Preference Share Offer.
Retain exposure to the success of the Ocean Hill #2 well	If the Preference Share Offer is accepted and implemented, Preference Shareholders will continue to retain exposure to the success of the Ocean Hill #2 well, as the Strike Energy Milestone Options will only be exercisable if the Ocean Hill #2 well is a success (refer to Section 6.4.2 for a description of the matters that together constitute the 'success' of the Ocean Hill #2 well).
Key terms of the Strike Energy Milestone Options are the same as the terms of the UIL Energy CRPS	Key terms of the Strike Energy Milestone Options are the same as the terms of the UIL Energy CRPS currently on issue. In particular, we note: <ul style="list-style-type: none"> ▶ The definition of the 'success' of the Ocean Hill #2 well remains unchanged; ▶ The expiry date of the Strike Energy Milestone Options is the same as the redemption date for the CRPS (i.e. 31 December 2019); ▶ Strike Energy must use reasonable endeavours to cause the drilling of the Ocean Hill #2 well before the expiry date (without being obligated to do anything that is inconsistent with good engineering and operating practices or the statutory and fiduciary duties of Strike Energy directors); and ▶ There is no exercise price payable in connection with the exercise of a Strike Energy Milestone Option.

Source: BDOCF analysis

3.3.3 Disadvantages of the Preference Share Offer

Table 3.4 below outlines the potential disadvantages to the Preference Shareholders of accepting the Preference Share Offer.

Table 3.4: Potential Disadvantages of the Preference Share Offer

Disadvantage	Explanation
Disadvantages of the Ordinary Share Offer also apply to Preference Shareholders	Refer to Section 2.3.3 above for further information on the potential disadvantages to the Preference Shareholders of accepting the Preference Share Offer.
The Preference Share Offer is conditional	The Preference Share Offer is conditional on Strike Energy acquiring a relevant interest in at least 90% of the UIL Energy ordinary shares and the Share Offer becoming or being declared unconditional. As such, there is a risk that the Preference Share Offer is accepted but does not complete.

Disadvantage	Explanation
The Strike Energy Milestone Options will not be quoted on ASX	The Strike Energy Milestone Options will not be quoted on ASX. However, Strike Energy will apply for quotation of any Strike Energy Shares issued on exercise of the Strike Energy Milestone Options in accordance with their terms. For completeness, we note UIL Energy's CRPS also were not quoted on the ASX.

Source: BDOCF analysis

3.3.4 Other Considerations

Tax Considerations

If the Preference Share Offer is accepted and implemented, Preference Shareholders will be treated as having disposed of their CRPS for tax purposes, which may give rise to a capital gain. For completeness, we note scrip for scrip rollover relief is unlikely to be available to Preference Shareholders on the disposal of the CRPS.

Further information on the taxation consequences of the Preference Share Offer are set out in Section 9 of the Bidder's Statement and Section 4.6 of the Target's Statement. Preference Shareholders should consult their own adviser in relation to the taxation consequences of the Preference Share Offer.

3.3.5 Position of the Preference Shareholders if the Preference Share Offer is Not Implemented

If the Preference Share Offer is not accepted and implemented, Preference Shareholders will continue to hold their CRPS in UIL Energy. As such, Preference Shareholders will continue to be exposed to the risks and opportunities associated with the ownership of the UIL Energy CRPS.

Refer to Section 2.3.5 above for further information on the position of the Preference Shareholders if the Preference Share Offer is not accepted and implemented.

3.3.6 Assessment of the Reasonableness of the Preference Share Offer

In our opinion, after considering all of the issues set out in this Report, it is our view that, in the absence of any other information or a superior proposal, the Preference Share Offer is **Reasonable** to Preference Shareholders as at the date of this Report.

3.4 Opinion on the Preference Share Offer

After considering the above assessments, it is our view that, in the absence of any other information or a superior proposal, the Preference Share Offer is **Fair and Reasonable** to Preference Shareholders as at the date of this Report.

Before forming a view on whether to accept or reject the Preference Share Offer, we strongly recommend that Preference Shareholders:

- ▶ Have regard to the information set out in the balance of this Report, including the Important Information set out in Section 4.0, before deciding whether to accept or reject the Preference Share Offer;
- ▶ Consult their own professional advisers; and
- ▶ Consider their specific circumstances.

The decision to accept or reject the Preference Share Offer is a separate decision to the investment decision to hold or divest an interest in either UIL Energy or Strike Energy, as the value of these companies may increase or decrease materially over short time periods depending upon the outcome of their various activities and changes in economic circumstances.

We recommend Preference Shareholders consider their own circumstances and consult their own professional advisers before making any decisions.

4.0 Important Information

4.1 Read this Report, and other documentation, in full

This Report, including Part I, Part II and the appendices, should be read in full to obtain a comprehensive understanding of the purpose, scope, basis of evaluation, limitations, information relied upon, analysis, assumptions underpinning our work and our findings.

Other information provided to the Ordinary Shareholders and the Preference Shareholders in conjunction with this Report should also be read in full, including the TID, the Bidder's Statement and the Target's Statement.

4.2 Individual circumstances

Our analysis has been completed and our conclusions expressed at an aggregate level having regard to each of the Ordinary Shareholders and Preference Shareholders respectively as a whole. BDOCF has not considered the impact of the Offers on the particular circumstances of individual Ordinary Shareholders or Preference Shareholders. Individual Shareholders or Preference Shareholders may place a different emphasis on certain elements of the Offers relative to the emphasis placed in this Report. Accordingly, individual Ordinary Shareholders or Preference Shareholders may reach different conclusions as to whether or not the Offers are fair and reasonable in their individual circumstances.

The decision of an individual Ordinary Shareholder or Preference Shareholder to accept or reject the Offer is likely to be influenced by their particular circumstances and accordingly, Ordinary Shareholders and Preference Shareholders are advised to consider their own circumstances and seek their own independent advice.

Accepting or rejecting the Offers is a matter for individual Ordinary Shareholders and Preference Shareholders based on their expectations as to the expected value and future prospects and market conditions together with their particular circumstances, including risk profile, liquidity preference, portfolio strategy and tax position. Ordinary Shareholders and Preference Shareholders should carefully consider the Target's Statement. Ordinary Shareholders and Preference Shareholders who are in doubt as to the action they should take in relation to the Offers should consult their professional advisers.

With respect to taxation implications of the Offers, it is strongly recommended that Ordinary Shareholders and Preference Shareholders obtain their own taxation advice, tailored to their own particular circumstances.

4.3 Scope

In this Report, we provide our opinion on whether or not:

- ▶ The Ordinary Share Offer is 'fair and reasonable' to the Ordinary Shareholders; and
- ▶ The Preference Share Offer is 'fair and reasonable' to the Preference Shareholders.

This Report has been prepared at the request of the Directors for the sole benefit of Ordinary Shareholders and Preference Shareholders to assist them in their decision to accept or reject the Offers. This Report is to accompany the Target's Statement to be sent to Ordinary Shareholders and Preference Shareholders to consider the Offers and was not prepared for any other purpose. Accordingly, this Report and the information contained herein may not be relied upon by anyone other than the Directors, Ordinary Shareholders and Preference Shareholders without our written consent. We accept no responsibility to any person other than the Directors, Ordinary Shareholders and Preference Shareholders in relation to this Report.

This Report should not be used for any other purpose and we do not accept any responsibility for its use outside this purpose. Except in accordance with the stated purpose, no extract, quote or copy of this Report, in whole or in part, should be reproduced without our written consent, as to the form and context in which it may appear.

We have consented to the inclusion of this Report with the Target's Statement. Apart from this Report, we are not responsible for the contents of the Target's Statement or any other document associated with the Offers. We acknowledge that this Report may be lodged with regulatory authorities to obtain the relevant approvals prior to it being made available to Ordinary Shareholders and Preference Shareholders.

The scope of procedures we have undertaken has been limited to those procedures required in order to form our opinions. Our procedures did not include verification work nor constitute an audit or assurance engagement in accordance with Australian Auditing and Assurance Standards. In preparing this Report, we considered the necessary legal requirements and guidance of the Corporations Act, ASIC regulatory guides and commercial practice.

In forming our opinions, we have made certain assumptions that have been outlined in this Report, including:

- ▶ We have performed our analysis on the basis that the conditions precedent to the Offers are satisfied;
- ▶ We have assumed that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;

- ▶ All information which is material to the Ordinary Shareholders' and Preference Shareholders' decisions on the Offers has been provided and is complete, accurate and fairly presented in all material respects;
- ▶ ASX announcements and other publicly available information relied on by us are accurate, complete and not misleading;
- ▶ If the Offers are accepted and implemented, they will be accepted and implemented in accordance with the stated terms;
- ▶ The legal mechanism to accepted and implement the Offers is correct and effective;
- ▶ There are no undue changes to the terms and conditions of the Offers or complex issues unknown to us; and
- ▶ Other assumptions, as outlined in this Report.

In this Report we have not provided any taxation, legal or other advice of a similar nature in relation to the Offers. Other advisers have provided advice in relation to those matters to UIL Energy in relation to the Offers.

UIL Energy has acknowledged that the Company's engagement of BDOCF is as an independent contractor and not in any other capacity including a fiduciary capacity.

The statements and opinions contained in this Report are given in good faith and are based upon our consideration and assessment of information provided by the Board, executives and management of all the entities.

4.4 Purpose of this Report

An independent expert, in certain circumstances, must be appointed to meet the requirements set out in the Corporations Act 2001 ('the Corporations Act'), the Corporations Regulations 2001 ('the Regulations'), the regulatory guides ('RGs') published by the Australian Securities and Investments Commission ('ASIC') and in some cases the listing requirements of the relevant exchanges. These requirements have been set out in Sections 4.4.1 and 4.4.2 below.

4.4.1 Requirements of the Corporations Acts

Strike Energy has prepared a Bidder's Statement in accordance with Section 636 of the Corporations Act. Under section 633 item 10 of the Corporations Act, UIL Energy is required to prepare a Target's Statement in response to the Bidder's Statement.

Section 640 of the Corporations Act requires the Target's Statement to include an independent expert's report to shareholders if:

- ▶ The bidder's voting power in the target is 30% or more; or
- ▶ The bidder and the target have a common director or directors.

As Strike Energy does not hold any shares in UIL Energy and the companies do not have any common directors there is no requirement under the Corporations Act for UIL Energy to engage an independent expert in relation to the Offers.

Notwithstanding the above, UIL Energy has engaged BDOCF to prepare this Report for provision to Ordinary Shareholders and Preference Shareholders to assist them in deciding whether to accept or reject the Offers.

4.4.2 Listing Requirements

We have been instructed that UIL Energy will not be using this Report or our assessment of the Offers for the purpose of complying with the listing requirements of the ASX or any other stock exchange.

4.5 Current Market Conditions

Our opinions and the analysis set out in this Report are based on economic, commodity, market and other conditions prevailing at the date of this Report. Such conditions can change significantly over relatively short periods of time and may have a material impact on the results presented in this Report and result in any valuation or other opinion becoming quickly outdated and in need of revision.

In circumstances where we become aware of and believe that a change in these conditions, prior to the close of the Offers, results in a material statement in this Report becoming misleading, deceptive or resulting in a material change in valuation, we will provide supplementary disclosure to UIL Energy. BDOCF is not responsible for updating this Report following the close of the Offers or in the event that a change in prevailing circumstance does not meet the above conditions.

4.6 Reliance on Information

UIL Energy recognises and confirms that, in preparing this Report, except to the extent to which it is unreasonable to do so, BDOCF, BDO (QLD) Pty Ltd or any of the partners, directors, agents or associates (together 'BDO Persons'), will be using and relying on publicly available information and on data, material and other information furnished to BDO Persons by UIL Energy, its management, and other parties, and may assume and rely upon the accuracy and

completeness of, and is not assuming any responsibility for independent verification of, such publicly available information and the other information so furnished.

Unless the information we are provided suggests the contrary, we have assumed that the information provided was reliable, complete and not misleading, and material facts were not withheld. The information provided was evaluated through analysis, inquiry and review for the purpose of forming opinions as to whether or not the Offers are fair and reasonable.

We do not warrant that our inquiries have identified or verified all of the matters which an audit, extensive examination or due diligence investigation might disclose. In any event, an opinion as to whether a corporate transaction is fair and reasonable is in the nature of an overall opinion rather than an audit or detailed investigation.

It is understood that the accounting information provided to us was prepared in accordance with Generally Accepted Accounting Principles.

Where we relied on the views and judgement of management the information was evaluated through analysis, inquiry and review to the extent practical. Where we have relied on publicly available information, we have considered the source of the information and completed our own analysis to assist us to determine the reliability of the information we have relied on. However, in many cases, the information we have relied on is often not capable of external verification or validation and on that basis we provide no opinion or assurance on the information.

The Directors represent and warrant to us, for the purpose of this Report, that all information and documents furnished by UIL Energy (either by management directly or through advisors) in connection or for use in the preparation of this Report do not contain any untrue statements of a material fact or omit to state a material fact necessary in order to make the statements therein. We have received representations from the Directors in relation to the completeness and accuracy of the information provided to us for the purpose of this Report.

Under the terms of our engagement, UIL Energy has agreed to indemnify BDO Persons against any claim, liability, loss or expense, costs or damage, arising out of reliance on any information or documentation provided, which is false or misleading or omits any material particulars, or arising from failure to supply relevant documentation or information.

4.7 Glossary

Capitalised terms used in this Report have the meanings set out in the glossary. A glossary of terms used throughout this Report is set out immediately following the Table of Contents at the start of this Report.

All dollar ('\$') references in this Report are in Australian dollars unless otherwise stated.

4.8 Sources of Information

This Report has been prepared using information obtained from sources including the following:

- ▶ UIL Energy annual reports for the year ended 30 June 2015, 2016, 2017 and 2018;
- ▶ Strike Energy annual reports for the year ended 30 June 2015, 2016, 2017 and 2018;
- ▶ UIL Energy and Strike Energy ASX announcements;
- ▶ The RISC Report dated 6 November 2018;
- ▶ The Bidder's Statement;
- ▶ The Target's Statement;
- ▶ Capital IQ;
- ▶ IBISWorld;
- ▶ Various other research publications and publicly available data as sourced throughout this Report; and
- ▶ Various discussions and other correspondence with UIL Energy, management and their advisers.

4.9 APES 225 Valuation Services

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 *Valuation Services* ('APES 225'). A Valuation Engagement is defined by APES 225 as 'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party

would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.’

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

4.10 Forecast Information

Any forecast financial information referred to in this Report has been prepared by the Company’s management (‘Management’) and adopted by the Directors in order to provide us with a guide to the potential financial performance of UIL Energy.

There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the forecast financial information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation between actual results and those forecast may be material.

The Directors’ best-estimate assumptions on which the forecast is based relate to future event(s) and/or transaction(s) that Management expect to occur and actions that Management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of UIL Energy. Evidence may be available to support the Directors’ best-estimate assumptions on which the forecast is based however such evidence is generally future-oriented and therefore speculative in nature.

BDOCF cannot and does not provide any assurance that any forecast is representative of results or outcomes that will actually be achieved. While we have considered the forecast information to the extent we considered necessary to complete the analysis set out in this Report, we have not been engaged to provide any form of assurance conclusion on any forecast information set out in this Report. We disclaim any assumption of responsibility for any reliance on this Report, or on any forecast to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of Management, that all material information concerning the prospects and proposed operations of UIL Energy have been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

4.11 Qualifications

BDOCF has extensive experience in the provision of corporate finance advice, including takeovers, valuations and acquisitions. BDOCF holds an Australian Financial Services Licence issued by ASIC for preparing expert reports pursuant to the Listing Rules of the ASX and the Corporations Act.

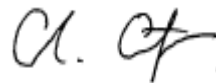
BDOCF and its related parties in Australia have a wide range of experience in transactions involving the advising, auditing or expert reporting on companies that have operations domestically and in foreign jurisdictions. BDO in Queensland and in Australia is a national association of separate partnerships and entities and is a member of the international BDO network of individual firms.

Mark Whittaker and Chris Catanzaro have prepared this Report with the assistance of staff members. Mr Whittaker, BCom (Hons), CA, CFA, and Mr Catanzaro, BCom (Hons), BBusMan, CA, CFA, are directors of BDOCF. Both Mr Whittaker and Mr Catanzaro have extensive experience in corporate advice and the provision of valuation and professional services to a diverse range of clients, including large private, public and listed companies, financial institutions and professional organisations. Mr Whittaker and Mr Catanzaro are considered to have the appropriate experience and professional qualifications to provide the advice offered within this Report.

BDO Corporate Finance (QLD) Ltd



Mark Whittaker
Director



Chris Catanzaro
Director

PART II: INFORMATION SUPPORTING OUR OPINION ON THE OFFERS

5.0 Overview of the Offers

This section sets out an overview of the Offers and is structured as follows:

- ▶ Section 5.1 provides a summary of the Offers;
- ▶ Section 5.2 summarises the conditions precedent which, if not waived, must be satisfied prior to implementation of the Offers;
- ▶ Section 5.3 details the strategic rationale for the Offers; and
- ▶ Section 5.4 sets out a summary of Strike Energy's intentions for UIL Energy at various relevant interest thresholds.

This section is a summary only and should not be treated as a complete description of the Offers. The Shareholders should refer to Strike Energy's Bidder's Statement for detailed and additional information relating to the Offers and the key parties involved.

5.1 Summary of the Offers

On 22 October 2018, Strike Energy announced its intention to make an off-market takeover offer for all of the fully paid ordinary shares and preference shares on issue in UIL Energy. On 24 October 2018, Strike Energy released the Bidder's Statement to Shareholders and Preference Shareholders outlining the terms and conditions of the Offers. The official period for accepting the Offers runs from 25 October 2018 to 30 November 2018 ('the Offer Period').

Broadly, the Offers relate to UIL Energy's different classes of equity securities as follows:

- ▶ **Ordinary Shares:** The Ordinary Share Offer comprises of 0.485 Strike Energy shares for every 1 ordinary share in UIL Energy. All UIL Energy ordinary shares acquired will be held by Strike Energy's subsidiary, Strike West Holdings Pty Ltd ('Strike West'). Under the Ordinary Share Offer, Strike Energy may issue up to a maximum of 123,466,816¹ ordinary shares to UIL Energy shareholders upon acceptance, representing a maximum interest of approximately 9.98%² of the merged group;
- ▶ **Preference Shares:** The Preference Share Offer consists of 0.485 Strike Energy Milestone Options for every 1 CRPS in UIL Energy. The Strike Energy Milestone Options are proposed to be subject to substantially the same terms and conditions (including conditions relating to the success of the Ocean Hill #2 well) as the CRPS currently on issue; and
- ▶ **Options and Performance Rights:** The Bidder's Statement states that Strike Energy will accept any UIL Energy shares that are issued before the end of the Offer Period, including those issued from exercised options or performance rights. Regarding UIL Energy's existing options and performance rights, we note:
 - All unvested UIL Energy performance rights will automatically vest on the occurrence of a change of control event pursuant to the terms of the UIL Energy Performance Rights Plan and are eligible to participate in the Ordinary Share Offer; and
 - All UIL Energy options that are exercised during the Offer Period are eligible to participate in the Ordinary Share Offer. Strike Energy has offered to enter into option cancellation agreements for all UIL Energy options that are not exercised during the Offer Period. Regarding each of UIL Energy's existing options on issue, we note:
 - UIL Energy 5 cent options: Provided the closing price of Strike Energy's shares recorded on the ASX on the date of despatch of the Target's Statement is not less than \$0.106 per Strike Energy share, all UIL Energy directors have undertaken to exercise any UIL Energy 5 cent options held or controlled by them during the Offer Period. For any UIL Energy 5 cent options that are not exercised during the Offer Period, Strike Energy intends to enter into an option cancellation agreement with the option holder in consideration for the issue of 0.485 Strike Energy 10.3 cent options for each UIL Energy 5 cent option;
 - UIL Energy 7.5 cent options: For any UIL Energy 7.5 cent options that are not exercised during the Offer Period, Strike Energy intends to enter into an option cancellation agreement with the option holder in consideration for the issue of 0.485 Strike Energy 15.5 cent options for each UIL Energy 7.5 cent option; and
 - UIL Energy 24 cent options: For any UIL Energy 24 cent options that are not exercised during the Offer Period, Strike Energy intends to enter into an option cancellation agreement with the option holder in consideration for \$0.001 per UIL Energy 24c option.

¹ Per the Bidder's Statement and assumes Strike Energy ordinary shares issued to holders of UIL Energy's ordinary shares, performance rights and 5 cent options.

² Based on Strike Energy ordinary shares of 1,237,083,762 comprising of 1,123,511,727 ordinary shares and 113,572,035 ordinary shares issued by Strike Energy under the placement completed on 31 October 2018.

Existing Foreign Shareholders of UIL Energy are excluded from receiving Strike Energy shares as part of the Offers. Strike Energy shares issued in regard to the acceptance of the offer from UIL Energy foreign shareholders will instead be issued to a nominee who will sell the shares on the market. The relevant share of proceeds from the sale of Strike Energy shares will then be distributed to foreign investors.

The UIL Energy Board has recommended Shareholders and Preference Shareholders accept the Offers in the absence of a superior proposal and subject to an Independent Expert concluding the Offers are reasonable. The UIL Energy Board has additionally announced their intention to commit their approximate 25% interest in UIL Energy to accepting the Offers.

Shareholders should refer to the Bidder's Statement and subsequent disclosures for more detailed information in relation to the Offers.

5.2 Key Conditions of the Offers

This section sets out a summary of key conditions relevant to the Offers. We recommend that Shareholders consider all requirements of the Offers set out in the Bidder's Statement.

5.2.1 Ordinary Share Offer

Key conditions of the Ordinary Share Offer that must be satisfied (or waived) include:

- ▶ Strike Energy to successfully complete an equity raise through placement of \$13 million. Within five days of the Takeover Implementation Deed, Strike Energy is to receive one or more binding commitments to subscribe to the placement. Within fifteen days of the Takeover Implementation Deed, Strike Energy is to complete the placement. On 31 October 2018, Strike Energy announced that it had successfully completed the placement of 113,043,477 fully paid ordinary shares to international and local institutional and professional investors at 11.5 cents per share to raise gross proceeds of \$13.0 million, satisfying this condition;
- ▶ Minimum acceptance of 50.1% of ordinary shares of UIL Energy on issue on a fully diluted basis;
- ▶ No regulatory intervention, as defined in the Bidder's Statement, occurs between the offer announcement date and the end of the Offer Period;
- ▶ No prescribed occurrences, as defined in the Bidder's Statement, occur between the announcement date and the end of the Offer Period; and
- ▶ The S&P/ASX 200 index does not close 10% or more below the closing level on the announcement date for five or more consecutive trading days; and
- ▶ No material breach of the TID as released on the 22 October 2018.

5.2.2 Preference Share Offer

Key conditions precedent in regard to the Preference Share Offer that must be satisfied (or waived) include:

- ▶ Strike Energy having a relevant interest in at least 90% of UIL Energy shares; and
- ▶ The Ordinary Share Offer having become or been declared unconditional.

5.3 Strike Energy's Strategic Rationale for the Offers

Strike Energy considers the combination of Strike Energy and UIL Energy represents an opportunity to build a material domestic gas business in the Perth Basin that is complimentary to Strike Energy's assets in the Cooper Basin. Key strategic and financial benefits identified by Strike Energy include (but are not limited to):

- ▶ The potential to consolidate complementary portfolios in the Perth Basin in addition to Strike Energy's Cooper Basin and create a meaningful operator with the scale and critical mass required to establish a stronger platform for future exploration, appraisal and asset development;
- ▶ The potential to identify additional leads to the south and east of the West Erregulla Project in UIL Energy's northern permit applications (EPA 82, EPA 98 and EPA 99), which Strike Energy considers to be an extension of the same Kingia-High Cliff sands sequence; and
- ▶ The potential to realise synergies and cost savings from achieving increases in operational efficiency, removing duplicate corporate, administrative, and technical functions, and leveraging each entity's significant management and technical expertise.

5.4 Strike Energy's Intentions in Relation to UIL Energy

Strike Energy's intentions in relation to UIL Energy have been disclosed in the Bidder's Statement. Strike Energy's stated intentions for UIL Energy differ according to whether Strike Energy acquires:

- ▶ 90% or more of UIL Energy;
- ▶ Greater than 50.1% but less than 90% of UIL Energy; and
- ▶ Less than 50% of UIL Energy.

5.4.1 *Intention upon Strike Energy Acquiring a Relevant Interest in 90% or More of UIL Energy Shares*

If Strike Energy acquires a relevant interest in at least 90% or more of UIL Energy shares, Strike Energy intends to undertake a compulsory acquisition of all outstanding UIL Energy shares in accordance with the Corporations Act. Further, Strike Energy intends to remove UIL Energy from the official list of the ASX, replace the UIL Energy board with its nominees, and terminate the UIL Energy's incentive plans.

From an operational perspective, Strike Energy also intends to:

- ▶ Actively progress UIL Energy's northern permit applications. Once granted, Strike Energy intends to commence exploration activities, including completing 3D seismic surveys to determine the prospectivity of the target Kingia-High Cliff sandstone in the permits along trend from West Erregulla;
- ▶ Continue to work towards satisfying UIL Energy's 2019 exploration work commitments within its southern permits. If the timeline required to receive regulatory and other stakeholder approval or to procure the required contractor services prove to be unachievable, or should Strike Energy not be able to procure the full funding required to complete those commitments within the required timeframes, Strike Energy will work with the regulator to secure additional time to finalise the approvals required to deliver the 2019 work program; and
- ▶ Conduct a general review of UIL Energy's operations focusing on strategic, financial and operating matters. The review will seek to optimise UIL Energy's existing asset portfolio and will focus on a number of key areas, including opportunities to realign the timing and quantum of existing work commitments to better fit the context of the merged entity, rationalise costs, and optimise strategy to fund future work commitments.

5.4.2 *Intention upon Strike Energy Acquiring Control but less than 90% of UIL Energy Shares*

If Strike Energy acquires greater than the minimum acceptance condition of 50.1% of UIL Energy shares but less than 90% of UIL Energy shares, Strike Energy will not be entitled to undertake a compulsory acquisition of the remaining UIL Energy shares.

Under this situation, Strike Energy intends to:

- ▶ Replace members of UIL Energy's board such that Strike Energy nominees hold the majority of positions on the Board;
- ▶ Maintain UIL Energy as a listed entity on ASX for as long as UIL Energy meets the requirements of the ASX Listing Rules;
- ▶ Procure that UIL Energy's northern permit applications are actively progressed. Once granted, Strike Energy intends to commence exploration of the permits through completing 3D seismic surveys. A particular focus will be placed on those areas within the permits that are on trend with West Erregulla;
- ▶ Procure that UIL Energy continue to work towards satisfying its exploration work commitments within its southern permits and simultaneously work with regulators to secure a suspension and extension of the permit commitments to allow further time to satisfy those commitments;
- ▶ Procure a general review of UIL Energy's operations focusing on strategic, financial and operating matters (as noted in the previous section);
- ▶ Propose that UIL Energy review its current incentive plans and determine if they are appropriate; and
- ▶ Seek to further acquire UIL Energy shares. Item 9 of section 611 in the Corporations Act allows Strike Energy to acquire up to an additional 3% of UIL Energy every six months. Once acquiring the necessary relevant interest in UIL Energy, Strike Energy intends to undertake a compulsory acquisition of the remaining UIL Energy interest.

5.4.3 *Intention upon Strike Energy Acquiring less than 50.1% of UIL Energy Shares*

If Strike Energy acquires less than 50.1% of UIL Energy shares, the Ordinary Share Offer will have failed to meet Strike Energy's minimum acceptance condition as outlined in the Bidder's Statement. In this situation, the Offers will not be accepted and implemented, unless this condition is waived.

6.0 Background of UIL Energy

This section is set out as follows:

- ▶ Section 6.1 provides an overview and background information on UIL Energy;
- ▶ Section 6.2 summarises the key projects of UIL Energy;
- ▶ Section 6.3 summarises the corporate structure of UIL Energy;
- ▶ Section 6.4 summarises the equity structure of UIL Energy;
- ▶ Section 6.5 summarises the share market performance of UIL Energy; and
- ▶ Section 6.6 summarises the historical financial information of UIL Energy.

6.1 Overview of UIL Energy

The Company was founded in 2011 under UIL Energy Australia Pty Ltd before changing its name to UIL Energy Limited in April 2012. UIL Energy gained admission to official listing on the ASX exchange on 4 November 2014 under the ticker 'UIL Energy'. UIL Energy is an Australian oil and gas exploration company headquartered in Brisbane, Queensland.

UIL Energy's principal focus is on the Company's permits in the Perth Basin, WA, including four granted permits (EP 495, EP 488, EP 489, EP 447) and three applications (EPA 82, EPA 98, EPA 99). UIL Energy maintains no other exploration or mining rights at other sites as at the date of this Report. Table 6.1 summarises the permits UIL Energy holds, as well as its relevant interest in each permit.

Table 6.1: Summary of UIL Energy Permits

Permit	Basin	UIL Energy Interest	Notes
EP 447	Perth	100%	Acquired outstanding 50% from Eneabba Gas Ltd on 8 September 2016
EP 447 W	Perth	30%	Subject to completion of farm-in arrangements by Pancontinental Ltd
EP 488	Perth	100%	Permit Successful 28 May 2014
EP489	Perth	100%	Permit Successful 28 May 2014
EP 495	Perth	100%	Permit acquired from Eneabba Gas Ltd 8 Sep 2016
EPA 82	Perth	100%	Permit Successful 14 Mar 2013
EPA 98	Perth	100%	Permit Successful 10 Oct 2013
EPA 99	Perth	100%	Permit Successful 10 Oct 2013

Source: UIL Energy Annual Report 2018

6.2 Key Projects

This section includes an overview of UIL Energy's key projects. This summary is not intended to be a comprehensive summary. UIL Energy shareholders should refer to the RISC Report in Appendix B for further information on UIL Energy's permits and projects.

Table 6.2 summarises UIL Energy's contingent and prospective resources in relation to UIL Energy's key projects.

Table 6.2: Summary of Contingent and Prospective Resources

Project Area ¹	Permit/s	Independently Certified			
		2C Contingent Resources		Best Estimate Prospective Resources	
		PJ	MMBOE ²	PJ	MMBOE ²
Ocean Hill	EP 495	360	57.6	-	-
Ocean Hill South and other leads	EP 495	-	-	809	129.4
Southern Basin Centred Gas Accumulation	EP 447 EP 488 EP 489	-	-	328	52.5
Coomallo East Prospect	EP 447 EP 488	-	-	277	44.3
Walyering Prospect	EP 447 W	-	-	63	10.1
Total Resources		360	57.6	1,477	236.3

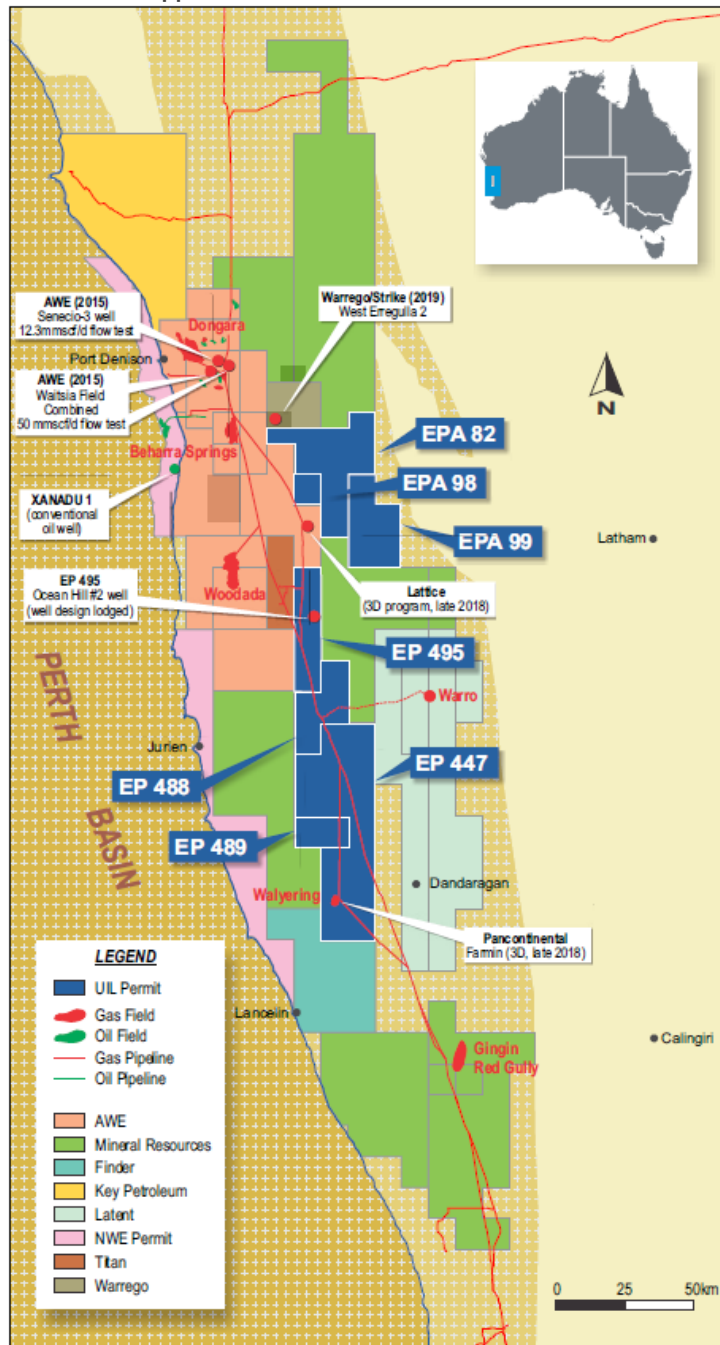
Source: UIL Energy Annual Report 2018

¹ Resource estimates exclude northern Perth applications EPA 82, EPA 98, and EPA 99.

2 Resources have been converted from PJ to MMBOE from the annual report at 1 PJ to 0.16 MMBOE.

Figure 6.1 depicts UIL Energy’s permits and application sites as well as the surrounding interest.

Figure 6.1: UIL Energy’s Permits and Applications



Source: UIL Energy Investor Presentation dated 23 March 2018

6.2.1 Ocean Hill and Ocean Hill South Projects

The Ocean Hill and Ocean Hill South Projects are located in EP 495 and were acquired under Oceanhill Pty Ltd (‘Oceanhill’) through the Share Sale agreement with Eneabba Gas Ltd (‘ENB’) on 8 September 2016.

Ocean Hill #1 well was drilled in 1991 by SAGASCO and tested a substantial structure within the permit. The well was drilled to a total depth of 3,840 m and encountered in excess of 800 m of gas. A drill stem test flowed a rate of 700 thousand cubic feet/day.

In October 2013, the DeGoyler and MacNaughton consulting group undertook an independent evaluation of the contingent and prospective resources of the Ocean Hill and Ocean Hill South Projects. DeGoyler and MacNaughton concluded a mean 2C Contingent Resource of 360 billion cubic feet (‘BcF’) and a best estimate Prospective Resource of 809 BcF.

UIL Energy is looking to undertake a 3D seismic program over both projects and drill the Ocean Hill #2 well.

6.2.2 Walyering Prospect

The Walyering Prospect is situated in EP 477 as part of UIL Energy’s southern project area. The Walyering Prospect is based on the previously discovered Walyering Gas Field.

UIL Energy acquired a 50% operating interest in EP 447 as part of a farm-in agreement with Greenpower Energy Limited (‘GPP’) dated 13 July 2011. GPP held EP 447 under the subsidiary GCC Methane Pty Ltd (‘GCC Methane’). GCC Methane was sold to ENB on 2 June 2015, before then being acquired by UIL Energy on 8 September 2016.

A Farm-In Agreement (‘FIA’) and Joint Operating Agreement (‘JOA’) has been entered into between Bombora Natural Energy Pty Ltd (‘Bombora’) on 21 September 2016 before Bombora’s interest in the agreement was transferred to Pancontinental Ltd (‘PCL’) in October 2018. Under the agreement, PCL has the right to earn a 70% operating interest in the four graticular blocks with the southern part of EP 447, on the completion of a 3D seismic program over the area. PCL aims to start the program early 2019.

6.2.3 Northern Perth Basin Applications

Northern Perth Basin Applications refer to EPA 82, EPA 98, and EPA 99. All Northern Perth Basin Applications permits were received during 2013 with UIL Energy expecting the applications to be granted during the first half of 2019 post reaching an in-principle agreement with native title holders. The application areas are subject to Native Title Claim(s) and consequentially, provisions of the Commonwealth Native Title Act must be complied with before the applications can be granted.

The western flank of the permits is considered potentially prospective for further Waitisia style targets. EPA 82 is adjacent to the West Erregulla project (EP469) in which Strike Energy has a farm-in agreement, while both EPA 82 and EPA 98 box the Kerr Prospect held by Beach Energy.

6.2.4 Basin Centred Gas Play

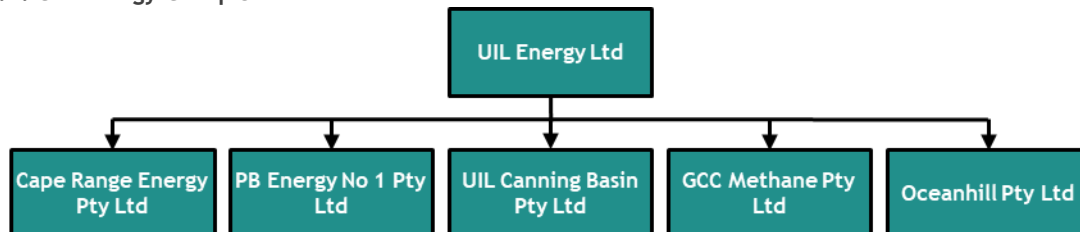
UIL Energy has identified a potential Basin Centred Gas (‘BCG’) (or unconventional gas) play extending through the southern tenements (refer to Section 4.2 of the RISC Report for further information).

However, we note the size of UIL Energy’s BCG opportunity is highly uncertain as at the date of this Report. Further, we note the BCG play concept has not been commercialised within the Perth Basin and that unconventional exploration and development in Western Australia is currently obstructed by a moratorium on fracking activities. As such, the BCG play is not considered to be a commercial opportunity at the present time.

6.3 Corporate Structure

Figure 6.2 below sets out a summary of UIL Energy’s corporate structure.

Figure 6.2: UIL Energy Group Structure



Source: BDOCF analysis

All subsidiaries of UIL Energy illustrated in Figure 6.2 are 100% owned.

As of 30 June 2018, no assets are held by Cape Range Energy Pty Ltd, PB Energy No 1 Pty Ltd, or UIL Energy Canning Basin Pty Ltd. UIL Energy Ltd holds permits EP 488, EP 489, and 50% of EP 447, as well as applications EPA 82, EPA 98, and EPA 99. Oceanhill hold EP 495 while GCC Methane holds the remaining 50% interest in EP 447.

GCC Methane and Oceanhill were acquired by UIL Energy from ENB during FY17. As part of the Share Sale Agreement (‘SSA’) with ENB, UIL Energy issued 55 million Class A CRPS that converted immediately into UIL Energy shares with total consideration of approximately \$4.1 million, and 35 million Class B CRPS convertible in the event the Ocean Hill #2 well is considered a ‘success’ (refer to Section 6.4.2 for the definition of the ‘success’ of the Ocean Hill #2 well).

6.4 Equity Structure of UIL Energy

As at 23 October 2018, UIL Energy had 307,625,714 equity instruments outstanding. Table 6.3 summarises UIL Energy’s equity structure.

Table 6.3: UIL Energy Equity Structure

Class	Number
Ordinary shares	228,646,266
Class B CRPS	35,000,000

Class	Number
Options (\$0.24, expiring on 31 Dec 2018)	15,804,959
Options (\$0.075, expiring on 31 Dec 2020)	2,250,000
Options (\$0.05, expiring on 31 Dec 2019)	13,676,204
Performance Rights	12,248,285
Total	307,625,714

Source: UIL Energy Appendix 3B as at 23 October 2018

6.4.1 Ordinary Shares

As at 23 October 2018, UIL Energy had 228,646,266 ordinary shares on issue. The top 10 Shareholders are set out in Table 6.4. Table 6.4 does not consider the impact of any changes in shareholding as a result of the Offers.

Table 6.4: Top 10 Shareholders

Shareholders	Number of Shares	Percentage Holdings
1 Mr William David Copland and Mrs Susan Mary Copland	19,000,000	8.31%
2 Simon Hickey	16,506,646	7.22%
3 ENJJ Co Pty Ltd (Discretionary Trust)	13,346,274	5.84%
4 ENJJ Co Pty Ltd (Superannuation Fund)	8,000,000	3.50%
5 Black Rock Mining Limited	7,309,504	3.20%
6 Rookharp Investments Pty Ltd	6,693,334	2.93%
7 Bizzell Capital Partners Pty Ltd	5,078,990	2.22%
8 HSBC Custody Nominees (Australia) Limited	3,742,275	1.64%
9 BAM Opportunities Fund Pty Ltd	3,567,439	1.56%
10 Avanteos Investments Limited	3,507,428	1.53%
Other shareholders	144,894,376	62.06%
Total Shares on Issue	228,646,266	100.00%

Source: UIL Energy FY18 Annual Report as at 5 November 2018

Table 6.5 below summarises the collective UIL Energy shareholding of UIL Energy Directors and Executives.

Table 6.5: UIL Energy Ordinary Shares Held by Directors and Executives of UIL Energy

	Number of Shares as at 13 September 2018	Percentage Holding of Total Shares
Directors		
John de Stefani	21,346,274	9.34%
Simon Hickey	21,278,206	9.31%
Stephen Bizzell	13,262,248	5.80%
Garry Marsden	1,103,175	0.48%
Keith Skipper	698,990	0.31%
Executives		
Drew Speedy	907,609	0.40%
Total	58,596,502	25.63%

Source: UIL Energy FY18 Annual Report

Directors and Executives of UIL Energy collectively hold appropriately 25.63% of all UIL Energy's ordinary shares as shown in Table 6.5.

6.4.2 Preference Shares

UIL Energy has 35 million CRPS Class B outstanding in relation to the FY17 acquisition of GCC Methane and Oceanhill from ENB.

CRPS Class B shares were issued on 8 September 2016 with a face value of \$0.000001 per share. CRPS Class B shares will automatically convert for one ordinary UIL Energy share per CRPS subject to Ocean Hill #2 being considered a 'success'.

Ocean Hill #2 is to be considered a success if:

- ▶ During or immediately after the drilling of the well, the well encounters gas sands that warrant a production test and, on a production test, the well produces gas and/or gas liquids at:
 - Equal to or greater than 5 million standard cubic feet per day without drawdown; or
 - Less than 5 million standard cubic feet per day without drawdown but a qualified expert provides a written opinion to UIL Energy to the effect that the results of the production test of the well justifies the undertaking of further drilling of the Ocean Hill structure; and
- ▶ A qualified expert provides a written opinion to UIL Energy to the effect that the results of the production test confirm sufficient long term gas flow rates to support a financial investment decision to commence a commercial development of a gas production operation.

CRPS Class B are redeemable by UIL Energy at face value if Ocean Hill #2 is not drilled by 31 December 2019, or the well is drilled but determined not to be a ‘success’ by 31 December 2019. UIL Energy must use reasonable endeavours to cause drilling of the well before 31 December 2019.

For accounting purposes Class B CRPS were valued on 8 September 2016 at a 10% probability of vesting and a total consideration of \$262,500 for all preference shares.

6.4.3 Options and Performance Rights

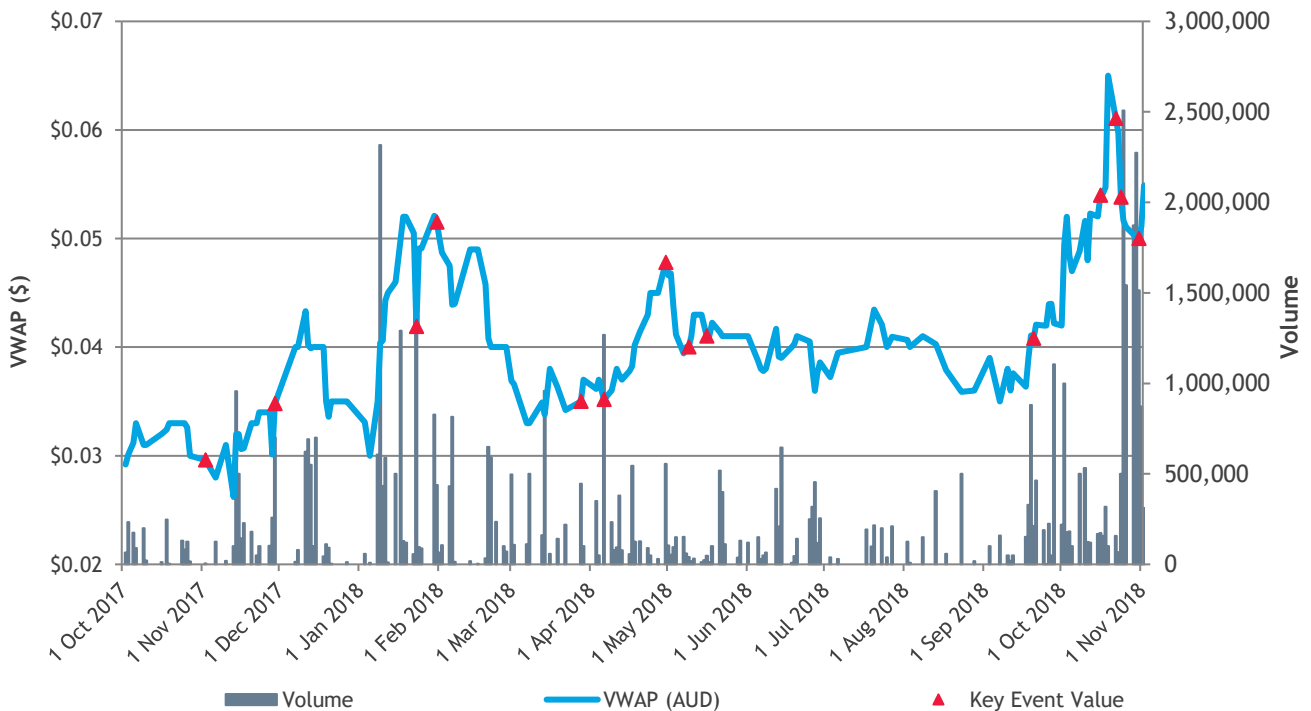
UIL Energy has a total of 31,311,163 unlisted options and 12,248,285 performance rights on issue as at 23 October 2018 as per UIL Energy’s employee benefit plan. All unvested UIL Energy performance rights will vest on the occurrence of a change of control event pursuant to the terms of the UIL Energy Performance Right Plan.

6.5 Share Performance of UIL Energy

6.5.1 Share Price Performance

Figure 6.3 displays the daily volume weighted average price (‘VWAP’) and daily volume of UIL Energy shares traded on the ASX over the period 1 October 2017 to 2 November 2018.

Figure 6.3: Daily VWAP and Volume of UIL Energy Shares Traded from 1 October 2017 to 2 November 2018



Source: Capital IQ as at 2 November 2018

Over the period graphed in Figure 6.3 above, UIL Energy’s daily VWAP displays a period low of \$0.0240 on 5 September 2017 and a period high of \$0.0650 on 19 October 2018.

In addition to the share price and volume data of UIL Energy shown above, we have also provided additional information in Table 6.6 below to assist readers to understand the possible reasons for the movement in UIL Energy’s share price over the period analysed. The selected ASX announcement references in Table 6.6 below correspond to those displayed in Figure 6.3.

Table 6.6: Selected UIL Energy ASX Announcements from 1 October 2017 to 2 November 2018

Date	Announcement
31 October 2018	Strike Energy announces settlement of \$13 million capital raising and satisfaction of bid condition.
24 October 2018	Strike Energy announces the release of the Bidder's Statement in regards to Strike Energy's off market takeover bid for UIL Energy. Strike Energy announces capital raise through private placement of 13m and the launch of \$5 million SPP.
22 October 2018	UIL Energy announces Board recommendation to accept the Offers. UIL Energy announces UIL Energy and Strike Energy have entered into a binding TID pursuant to the Offers. Strike Energy announces an off-market scrip takeover bid to acquire all outstanding ordinary and preference shares of UIL Energy for an implied value of \$16.1 million based on the previous day closing prices.
16 October 2018	UIL Energy announces Q1 FY19 quarterly cash flow report and quarterly activities report.
20 September 2018	UIL Energy announces FY18 Annual Report to shareholders.
16 May 2018	UIL Energy announces upgraded prospective resources for Walyering Gas Field located in the southern part of EP447. Best estimate prospective resources increase to 63 BcF.
09 May 2018	UIL Energy announces the company has reached in-principle agreement with the native title party for the grant of EPA 82, 98, and 99.
30 April 2018	UIL Energy announces Q3 FY18 quarterly cash flow report and quarterly activities report.
06 April 2018	UIL Energy announces completion of issue of 28.5 million fully paid ordinary shares for 3.5c and 11.5 million unlisted 5c options (including fee options issued to the lead manager of the placement) to raise approximately \$1.1 million.
28 March 2018	UIL Energy announces a \$1.1 million placement to professional and sophisticated investors at 3.5c per share with an additional unlisted option per share subscribed.
31 January 2018	UIL Energy announces Q2 FY18 quarterly cash flow report and quarterly activities report.
23 January 2018	UIL Energy announces market update in regards to upside potential in gas acreage.
29 November 2017	UIL Energy announces the results of the AGM and AGM presentation. UIL Energy reaffirms strategy to tactically enter the east coast market with preparations underway.
31 October 2017	UIL Energy announces Q1 FY18 quarterly cash flow report and quarterly activities report. UIL Energy announced the Company is undertaking a review of Empire Oil and Gas Limited's ('EGO') Perth Basin acreage and is assessing whether any potential opportunities may arise due to EGO entering voluntary administration on 28 September 2018.

Source: UIL Energy ASX Announcements from 1 October 2017 to 2 November 2018

In Table 6.7 below we have set out UIL Energy's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 22 October 2018, being the date Strike Energy publicly announced the Offer.

Table 6.7: UIL Energy's VWAP for Specified Periods Prior to 22 October 2018

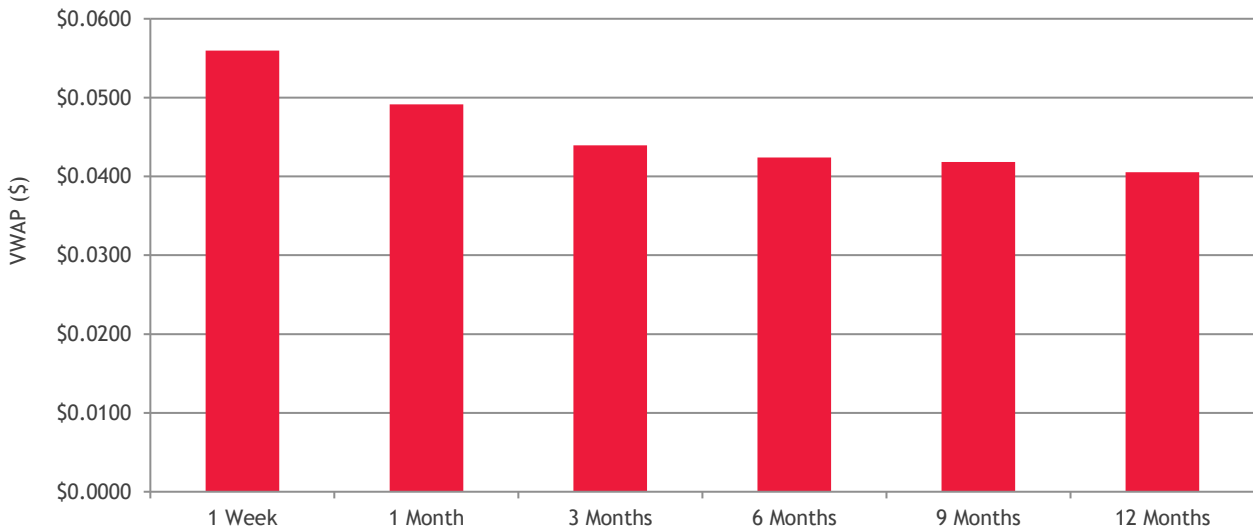
Period before 22 October 2018	VWAP (AUD) ¹
1 Week	\$0.0560
1 Month	\$0.0491
3 Months	\$0.0439
6 Months	\$0.0424
9 Months	\$0.0419
12 Months	\$0.0405

Source: Capital IQ as at 2 November 2018

¹ VWAP data may differ from the data set out in the Bidder's and Target's Statements due to differences in databases used. For the purposes of this Report, the differences are immaterial

The information presented in Table 6.7 is shown graphically in Figure 6.4 below.

Figure 6.4: UIL Energy’s VWAP for Specified Periods Prior to 22 October 2018



Source: Capital IQ as at 2 November 2018

6.5.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the ‘liquidity’ of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 6.8 summarises the monthly liquidity of UIL Energy shares from 1 October 2017 to 31 October 2018. Liquidity has been summarised by considering the following:

- ▶ Volume of UIL Energy share trades per month;
- ▶ Value of total trades in UIL Energy shares per month;
- ▶ Number of UIL Energy shares traded per month as a percentage of total UIL Energy shares outstanding at the end of the month; and
- ▶ Volume weighted average price per month.

Table 6.8: Liquidity of UIL Energy shares on the ASX

Month	Volume	Turnover (A\$)	Shares Outstanding	Volume / Shares Outstanding	Monthly VWAP (A\$)
October 2018 (22 to 31)	10,432,600	536,180	228,646,270	4.56%	\$0.0514
October 2018 (1 to 21)	3,875,500	201,720	228,646,270	1.69%	\$0.0521
September 2018	3,986,410	165,830	228,646,270	1.74%	\$0.0416
August 2018	1,263,830	46,960	228,646,270	0.55%	\$0.0372
July 2018	1,024,450	42,280	228,646,270	0.45%	\$0.0413
June 2018	3,278,420	127,620	227,480,510	1.44%	\$0.0389
May 2018	2,096,820	86,900	225,537,590	0.93%	\$0.0414
April 2018	4,112,080	158,640	221,971,520	1.85%	\$0.0386
March 2018	3,299,290	114,040	197,009,020	1.67%	\$0.0346
February 2018	3,131,970	131,040	196,712,310	1.59%	\$0.0418
January 2018	8,869,400	411,360	196,687,580	4.51%	\$0.0464
December 2017	3,024,600	122,010	196,687,580	1.54%	\$0.0403
November 2017	3,470,620	111,990	196,348,480	1.77%	\$0.0323
October 2017	1,401,850	45,040	195,104,570	0.72%	\$0.0321
Total	53,267,840	2,301,610	213,549,670	24.94%	\$0.0432

Source: Capital IQ as at 2 November 2018

Assuming a weighted average number of 213,549,670 UIL Energy shares on issue over the period, approximately 24.94% of the total shares on issue were traded over the period 1 October 2017 to 31 October 2018. In our view, this indicates that UIL Energy shares display a relatively low to moderate level of liquidity.

6.6 Historical Financial Information of UIL Energy

This section sets out the historical financial information of UIL Energy. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in UIL Energy's annual reports, including the full statements of profit or loss, statements of financial position and statements of cash flows.

UIL Energy's financial statements have been audited by BDO Audit Pty Ltd. BDOCF has not performed any audit or review of any type on the historical financial information of UIL Energy and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

6.6.1 Statements of Profit or Loss

Table 6.9 summarises the consolidated statement of profit or loss of UIL Energy for the 12 month periods ('FY') ended 30 June 2015, 2016, 2017 and 2018.

Table 6.9: Summarised UIL Energy Statements of Profit or Loss

	12 Months Ended 30 Jun 15 Audited (\$'000)	12 Months Ended 30 Jun 16 Audited (\$'000)	12 Months Ended 30 Jun 17 Audited (\$'000)	12 Months Ended 30 Jun 18 Audited (\$'000)
Interest From Other Persons	55.0	51.3	28.6	18.5
Total Revenue	55.0	51.3	28.6	18.5
Employee Benefits Expense	(226.1)	(289.7)	(285.9)	(391.2)
Administration Costs	(804.3)	(493.1)	(523.7)	(354.2)
Consultants Fees	(515.7)	(231.6)	(191.5)	(283.5)
Depreciation Expense	(10.3)	(4.7)	(2.2)	(0.8)
Fair Value of Financial Liabilities	(299.6)	-	-	-
Exploration Impairment	(378.6)	(27.3)	-	(28.8)
Total Expenses	(2,234.7)	(1,046.5)	(1,003.3)	(1,058.5)
Loss Before Income Tax	(2,179.7)	(995.2)	(974.7)	(1,040.0)
Income tax benefit / (expense)	-	-	-	-
Net Loss for the Year	(2,179.7)	(995.2)	(974.7)	(1,040.0)

Source: UIL Energy FY15, FY16, FY17, FY18 Annual Reports

With reference to Table 6.9 above, we note the following:

- ▶ UIL Energy to date does not generate revenue from operations. Interest from other persons is recognised as interest accrues using the effective interest method;
- ▶ During FY18, UIL Energy undertook transactions involving related parties, including:
 - Consulting fees of \$21,000 (FY17: \$34,000) paid to MITA Consulting, a company associated with UIL Energy director, Simon Hickey. One million performance rights, valued at \$35,000, were also issued to MITA Consulting as compensation for services performed;
 - Office sub-leasing and capital raising services provided by Bizzell Capital Partners ('BCP') a company associated with UIL Energy director Stephen Bizzell. The sub-lease agreement between UIL Energy and BCP is based on \$2,800 per month between 1 December 2016 and 1 December 2018. An amount of \$19,200 has accrued during FY18 while an additional payment of \$14,400 is payable under the agreement. A capital raising agreement was entered into between UIL Energy, BCP and Morgans Corporate Ltd in relation to the capital raising offer announced on 28 March 2018. BCP received a cash fee of approximately \$12,800 and approximately 1.2 million options valued at \$6,312; and
- ▶ As UIL Energy does not have a history of taxable profits and does not currently generate any revenue from its operations, accounting standards do not allow the company to record any tax benefits. For accounting purposes, it is not yet regarded as probable that any tax advances are recoverable as at 30 June 2018. As at 30 June 2018, UIL Energy has an unused tax loss of approximately \$2.7 million based on a 27.5% Australian tax rate for small businesses with an annual turnover of less than \$10 million.

6.6.2 Statements of Financial Position

Table 6.10 summarises UIL Energy's statements of financial position as at 30 June 2015, 2016, 2017 and 2018.

Table 6.10: Summarised UIL Energy Consolidated Statements of Financial Position

	As at 30 Jun 2015 Audited (\$'000)	As at 30 Jun 2016 Audited (\$'000)	As at 30 Jun 2017 Audited (\$'000)	As at 30 Jun 2018 Audited (\$'000)
Current Assets				
Cash and Cash Equivalents	2,553.3	1,216.1	1,204.5	1,358.3
Trade and Other Receivables	56.2	56.8	29.8	34.0
Other Current Assets	6.1	6.2	12.0	7.5
Total Current Assets	2,615.5	1,279.1	1,246.3	1,399.8
Non-Current Assets				
Plant, Property, and Equipment	9.5	4.8	2.6	1.7
Exploration and Evaluation	3,760.7	4,138.1	8,968.7	9,122.2
Total Non-Current Assets	3,770.2	4,142.9	8,971.3	9,124.0
Total Assets	6,385.7	5,422.0	10,217.6	10,523.8
Current Liabilities				
Trade and Other Payables	229.1	232.9	246.8	234.9
Total Current Liabilities	229.1	232.9	246.8	234.9
Total Liabilities	229.1	232.9	246.8	234.9
Net Assets	6,156.6	5,189.1	9,970.8	10,288.9
Equity				
Issued Capital	12,827.3	12,827.3	18,258.1	19,379.2
Preference Equity	-	-	262.5	262.5
Reserves	1,643.4	1,671.2	1,734.3	1,971.3
Accumulated Losses	(8,314.2)	(9,309.4)	(10,284.1)	(11,324.1)
Total Equity	6,156.6	5,189.1	9,970.8	10,288.9

Source: UIL Energy FY15, FY16, FY17, FY18 Annual Reports

With reference to Table 6.10 above, we note the following:

- ▶ Cash and cash equivalents have remained relatively stable since FY16. The majority of this amount is held at bank. As at 30 June 2018, cash on hand was \$207,391 while cash at bank was approximately \$1.2 million. Cash at bank bear floating and fixed interest rates between 0%-0.5%. The effective interest rate on short-term bank deposits during FY18 was 2.41%;
- ▶ As at 30 June 2018, trade and other receivables comprise of goods and services tax receivables of \$4,340, receivables from share placement \$24,452, and interest receivables of \$5,242;
- ▶ Other current assets relate to prepayments in all periods considered;
- ▶ Plant, property, and equipment comprise of a single consolidated account for computers and office equipment. The account is depreciated through a combination of straight line and diminishing returns methods for useful lives between two and five years;
- ▶ Exploration and evaluation assets have increased by approximately 2.5x since FY15 in line with acquisitions and continued UIL Energy exploration efforts. During FY17, UIL Energy completed a Share Sale Agreement ('SSA') with ENB to acquire ENB's Perth Basin subsidiaries; Oceanhill, and GCC Methane. The subsidiaries respectively represent 100% of the Ocean Hill prospect (EP 495) and the remaining 50% UIL Energy-unowned interest in EP 447. For accounting purposes, the transactions were treated as asset acquisitions;
- ▶ As part of the SSA with ENB, UIL Energy issued 55 million Class A CRPS that converted immediately into UIL Energy shares with total consideration of approximately \$4.1 million, and 35 million Class B CRPS convertible in the event the Ocean Hill #2 well is considered a 'success'. At the time of the transaction, UIL Energy adopted a 10% conversion probability on the Class B CRPS for a total consideration of \$262,500; and
- ▶ Reserves relate to an options reserve to account for the value of options issued as an expense relating to director and employee share options and options issued for goods and services.

6.6.3 Statements of Cash Flows

Table 6.11 summarises UIL Energy's statement of cash flows for the 12 month periods ended 30 June 2015, 2016, 2017 and 2018.

Table 6.11: Summarised UIL Energy Consolidated Statements of Cash Flows

	12 Months Ended 30 Jun 2015 Audited (\$'000)	12 Months Ended 30 Jun 2016 Audited (\$'000)	12 Months Ended 30 Jun 2017 Audited (\$'000)	12 Months Ended 30 Jun 2018 Audited (\$'000)
Cash Flows from Operating Activities				
Receipts from Operations (Including GST Refunds)	57.4	113.9	72.7	54.3
Payments to Suppliers and Employees	(1,414.8)	(1,070.8)	(916.2)	(762.6)
Interest received	49.7	55.0	26.6	16.8
Net Cash Provided by Operating Activities	(1,307.6)	(901.8)	(817.0)	(691.5)
Cash Flow from Investing Activities				
Refund of Security Deposits	56.2	-	-	-
Payments for Plant and Equipment	(1.4)	-	-	-
Payments for Exploration Expenditure	(487.1)	(435.3)	(433.0)	(181.2)
Receipts from Joint Venture Partners	-	-	50.0	-
Net Cash Provided by Investing Activities	(432.3)	(435.3)	(383.0)	(181.2)
Cash Flows from Financing Activities				
Proceeds from Issue of Shares	4,538.2	-	1,392.5	1,075.5
Capital Raising Expenses	(346.9)	-	(204.1)	(49.2)
Proceeds from Issue of Convertible Notes	160.0	-	-	-
Proceeds/(Repayment) of Short Term Loans	(78.8)	-	-	-
Net Cash Provided by Financing Activities	4,272.5	-	1,188.4	1,026.4
Increase/(Decrease) in Cash and Cash Equivalents	2,532.6	(1,337.1)	(11.6)	153.7
Cash at Beginning of Financial Year	20.7	2,553.3	1,216.1	1,204.5
Cash and Cash Equivalents at the End of Financial Year	2,553.3	1,216.1	1,204.5	1,358.3

Source: UIL Energy Honey Annual Report FY15, FY16, FY17, FY18

With reference to Table 6.11 above, we note the following:

- ▶ Cash flows from operating activities continue to be negative as UIL Energy does not currently generate revenue of its own;
- ▶ Cash outflows from investing activities has decreased by approximately 60% since FY15 and approximately 50% from FY17;
- ▶ Cash outflows from operating and investing activities are offset by inflows from capital raises during the period considered. The cash reserve of approximately \$1.36m is roughly 1.5x to 1.9x the recent cash outflows from operations as at 30 June 2018.

7.0 Background of Strike Energy

This section is set out as follows:

- ▶ Section 7.1 provides an overview and background information on Strike Energy;
- ▶ Section 7.2 summarises the key projects of Strike Energy;
- ▶ Section 7.3 summarises the equity structure of Strike Energy;
- ▶ Section 7.4 summarises the share market performance of Strike Energy; and
- ▶ Section 7.5 summarises the historical financial information of Strike Energy.

7.1 Overview of Strike Energy

Strike Energy was founded in 1997 and gained official listing on the ASX Exchange on the 2 August 2004 as Strike Oil Limited under the ticker 'STX'. Strike Energy is an Australian oil and gas exploration, appraisal and development company headquartered in Adelaide, South Australia.

Strike Energy's principal focus is on the company's Southern Cooper Basin Project in the Cooper Basin (South Australia), and the West Erregulla Project in the Perth Basin (Western Australia).

Table 7.1: Summary of Strike Energy Permits

Permit	Basin	Interest	Operator	Notes
PEL 94	Cooper	35%	Beach Energy Limited	Permit is currently in suspension (acquired in FY10)
PEL 95	Cooper	50%	Beach Energy Limited	Permit is currently in suspension (acquired in FY10)
PPL 210	Cooper	50%	Beach Energy Limited	Acquired in FY10 (located within PEL 95)
PEL 96	Cooper	67%	Strike Energy Limited	Permit granted in FY09
PEL 515	Cooper	100%	Strike Energy Limited	Permit is currently in suspension
PELA 640	Cooper	100%	Strike Energy Limited	Dependent on Native Title Agreements being made
EP 469	Perth	50%	Strike West Holdings Pty Ltd	Acquired in 2018 via joint venture and farm in agreement

Source: *Strike Energy Annual Report 2018*

7.2 Key Projects

Table 7.2 summarises Strike Energy's contingent and prospective resources in relation to Strike Energy's key projects.

Table 7.2: Summary of Contingent Resources

Project Area	Permit/s	2C Contingent Resources	
		PJ ¹	MMBOE
Southern Cooper Basin	PEL 94 PEL 95 PPL 210 PEL 96 PEL 515 PELA 640	108	17.3
West Erregulla	EP 469	37	5.9
Total Resources		145	23.2

Source: *Strike Energy Annual Report 2018*

1 Resources have been converted from PJ to MMBOE from the annual report at 1 PJ to 0.16 MMBOE.

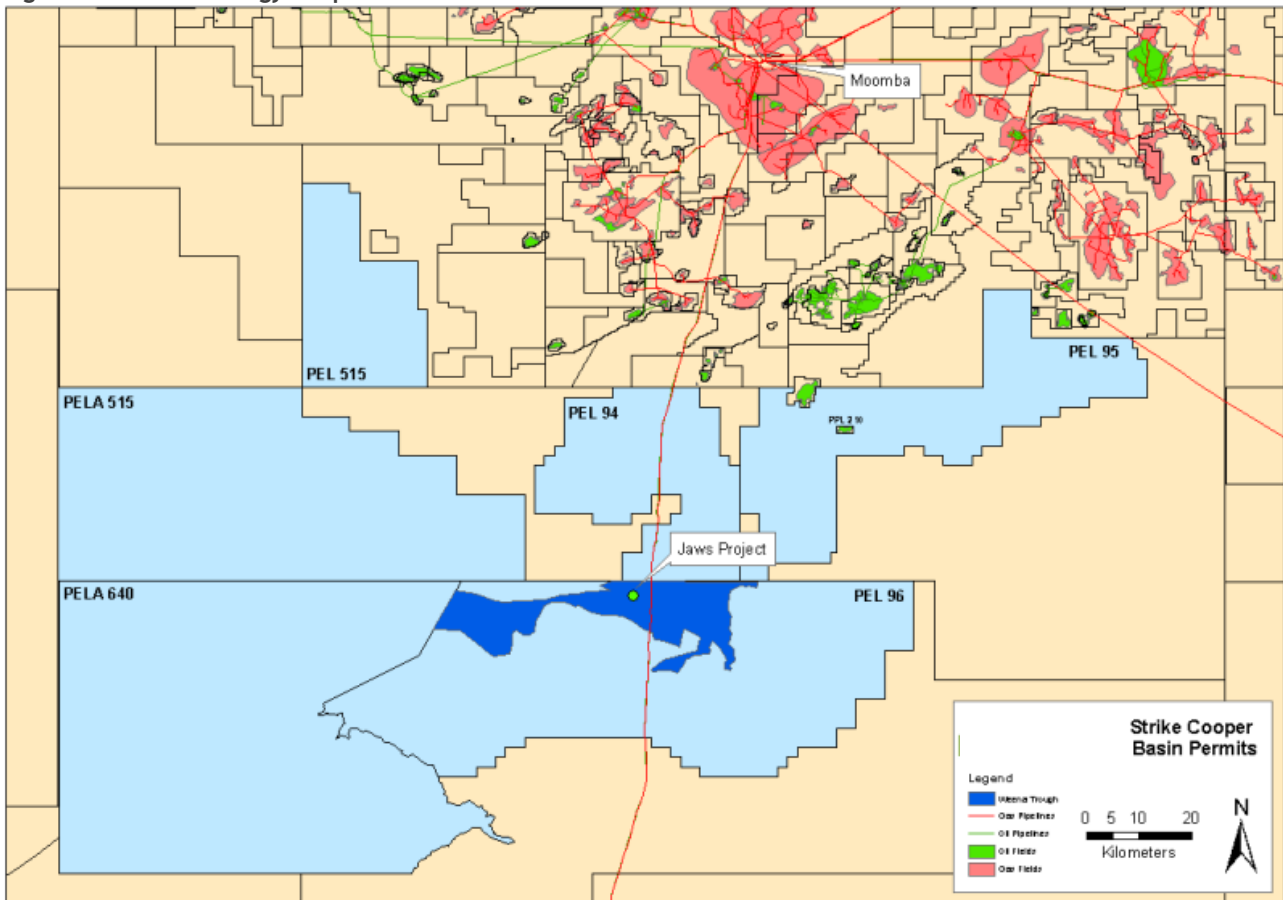
7.2.1 Southern Cooper Basin Project

Strike Energy has an interest in four exploration permits one application permit, and one production permit within the Cooper/Eromanga Basin. The Cooper/Eromanga Basin spreads across southwest Queensland and north east South Australia. The basin is Australia's most prolific onshore oil and gas region. Strike Energy's interest in the basin covers approximately 9,118 km².

Jaws-1 is an appraisal project based in permit PEL 96 and consists of a multi-fracture stimulated horizontal well drilled to a total measured depth of 2,880m to intercept a second vertical producing well at a vertical depth of 2,063m. Strike Energy successfully constructed and commissioned the Jaws-1 appraisal project in August 2018. Moving forward, Jaws-1 has advanced to the piloting phase.

Strike Energy has three gas sales agreements with Orica International Pte Ltd ('Orica'), Orora Limited ('Orora'), and Brickworks Building Products Pty Ltd ('Brickworks Buildings').

Figure 7.1: Strike Energy Cooper Basin Interests



Source: Bidder's Statement

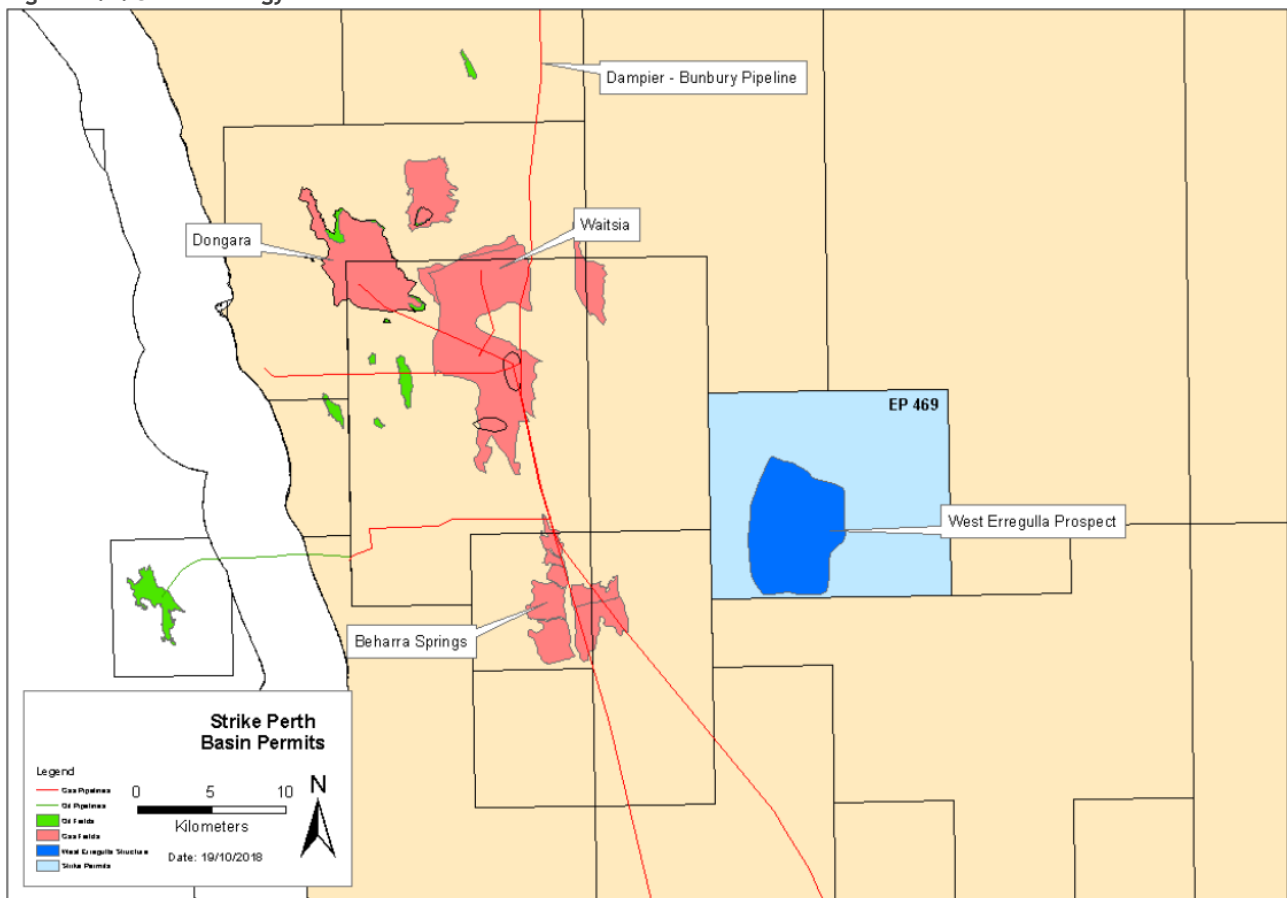
7.2.2 West Erregulla Project

During FY18, Strike entered a joint venture agreement with Warrego Energy Pty Ltd ('Warrego') to gain a 50% interest in EP 469 and the West Erregulla Project in the Perth Basin for \$600,000 plus farm-in requirements capped at \$11 million. Strike Energy has since re-interpreted the West Erregulla existing 3D seismic survey and believe the prospect contains a Waitsia-like deep Kingia-High Cliff conventional gas target. Strike further announced the re-interpretation determined the target to present prospective volumes indicative of a major standalone development project. The prospect was geologically and geophysically supported by Igesi Consulting.

The West Erregulla Project is well supported by existing gas infrastructure in the Perth Basin including major gas transmission pipelines.

Drilling of West Erregulla #2 is expected to spud in the first quarter of FY19 contingent on regulatory approvals and procurement of capital associated with drilling activities.

Figure 7.2: Strike Energy Perth Basin Interests



Source: Bidder's Statement

7.2.3 USA Operations

Strike Energy divested its producing USA assets during FY17. Prior to the divestment, Strike held interest in USA projects; Eagle Ford, Louise, and Permian Clearfork. All proceeds from USA divestment were used to settle associated debts. Post divestment, Strike Energy has relieved itself in full of any future restoration and rehabilitation obligations of previously owned USA assets.

7.3 Equity Structure of Strike Energy

As at 23 October 2018, Strike Energy had 1,274,514,061 equity instruments on issue. Table 7.3 summarises Strike Energy's equity structure.

Table 7.3: Strike Energy Equity Structure

Class	Number
Ordinary shares	1,237,083,762
Options (\$0.120, expiring on 7 Apr 2020)	2,000,000
Options (\$0.150, expiring on 1 Jun 2020)	1,000,000
Options (\$0.150, expiring on 21 Aug 2020)	13,000,000
Options (\$0.150, expiring on 16 Nov 2020)	7,000,000
Options (\$0.150, expiring on 17 May 2021)	5,000,000
Performance Rights ¹	9,430,299
Total	1,274,514,061

Source: Strike Energy Appendix 3B as at 31 October 2018

¹ 5.5 million Performance Rights expired 30 October 2018

1.3.1 Ordinary Shares

As at 31 October 2018, Strike Energy had 1,237,083,762 ordinary shares on issue.

The top 10 Shareholders are set out in Table 7.4. Table 7.4 does not consider the impact of any changes in shareholding as a result of the Offers, while impacts of the placement are included.

Table 7.4: Top 10 Shareholders

Shareholders		Number of Shares	Percentage Holdings
1	MHC Fund Services A Pty Ltd	72,945,893	5.90%
2	J P Morgan Nominees Australia Limited	40,427,985	3.27%
3	Timothy Rupert Barr Goyder	35,892,858	2.90%
4	Citicorp Nominees Pty Limited	27,519,827	2.22%
5	National Nominees Limited	25,148,451	2.03%
6	Calm Holdings Pty Ltd	25,000,000	2.02%
7	Orica Investments Pty Ltd	20,833,333	1.68%
8	Gremar Holdings Pty Ltd	19,456,419	1.57%
9	HSBC Custody Nominees (Australia) Limited	19,149,676	1.55%
10	Yerkin Tatichev	17,391,304	1.41%
Other shareholders		933,318,016	75.45%
Total Shares on Issue		1,237,083,762	100.00%

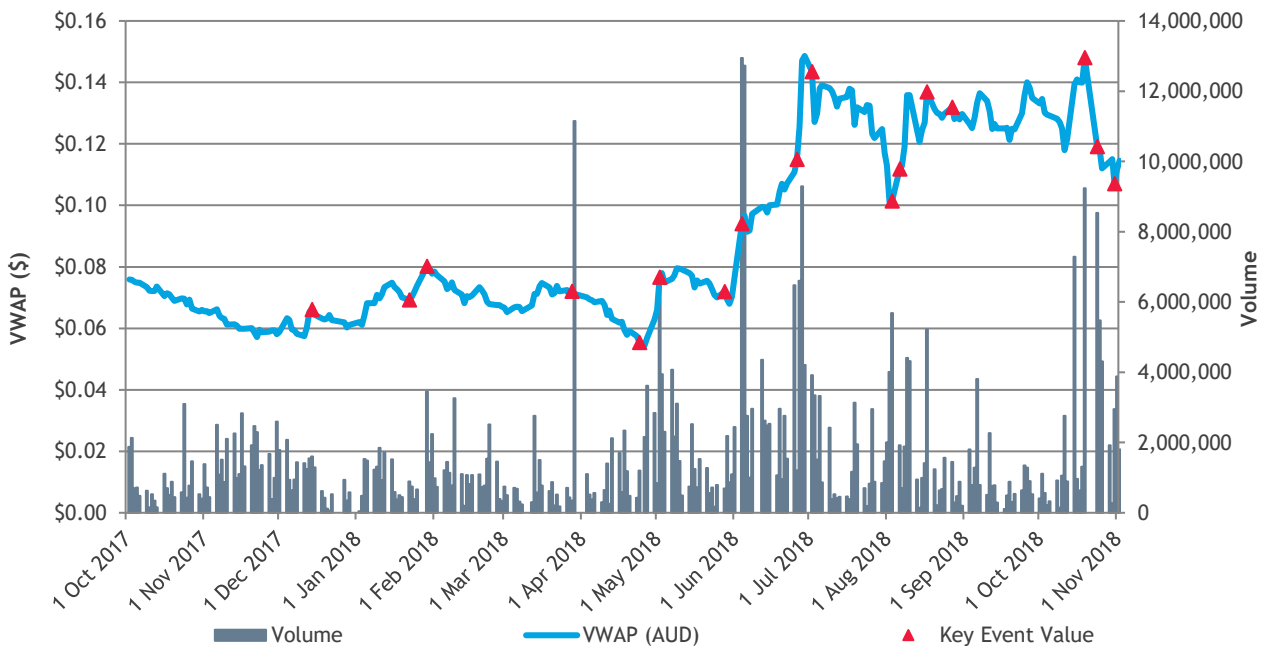
Source: Strike Energy webpage updated on 31 October 2018, and BDOCF analysis

7.4 Share Performance of Strike Energy

7.4.1 Share Price Performance

Figure 7.3 displays the daily VWAP and daily volume of Strike Energy shares traded on the ASX over the period 1 October 2017 to 2 November 2018.

Figure 7.3: Daily VWAP and Volume of Strike Energy Shares between 1 October 2017 to 2 November 2018



Source: Capital IQ as at 2 November 2018

Over the period graphed in Figure 7.3 above, Strike Energy's daily VWAP displays a period low of \$0.0545 on 26 April 2018 and a period high of \$0.1486 on 29 June 2018.

In addition to the share price and volume data of Strike Energy shown above, we have also provided additional information in Table 7.5 below to assist readers to understand the possible reasons for the movement in Strike Energy's share price over the period analysed. The selected ASX announcement references in Table 7.5 below correspond to the period displayed in Figure 7.3 above.

Table 7.5: Selected Strike Energy ASX Announcements from 1 October 2017 to 2 November 2018

Date	Announcement
31 October 2018	Strike Energy announces settlement of \$13 million capital raising and satisfaction of bid condition.

Date	Announcement
24 October 2018	Strike Energy announces the release of the Bidder's Statement in regards to Strike Energy's off market takeover bid for UIL Energy. Strike Energy announces capital raise through private placement of 13m and the launch of \$5 million SPP.
22 October 2018	UIL Energy announces UIL Energy Board recommendation to accept the takeover offer made by Strike Energy. Strike Energy announces UIL Energy and Strike Energy have entered into a binding TID pursuant to Strike Energy's off-market takeover offer. Strike Energy announces an off-market scrip takeover bid to acquire all outstanding ordinary and preference shares of UIL Energy for an implied value of \$16.1 million based on the previous day closing prices.
19 October 2018	Strike Energy announces the Jaws pilot update stating the Jaws wells have entered the gas desorption phase and water productivity remains high throughout initial desorption period.
27 August 2018	Strike Energy announces the Jaws pilot update stating Jaws-1 continues to perform strongly with excellent productivity, and Jaws-1 reaches 1,300 barrels of water per day and continuing to build.
17 August 2018	Strike Energy announces the Jaws pilot update stating Jaws-1 flowing at more than 1,100 barrels of water per day and climbing, and production continues to be ramped up until sustained operations have been reached.
06 August 2018	Strike Energy announces completion of \$3 million placement at \$0.105 per share for a 5% premium to last closing price.
03 August 2018	Strike Energy announces the Jaws online stating Jaws-1 project commissioned and fully online, and reservoir water flows to surface have been established and depressurisation started.
02 July 2018	Strike Energy announces the Jaws technical update stating reservoir inputs have been confirmed to fall within Strike's forecast commercial range, and Strike is confident commercial flow rates of gas can be modelled from Jaws wells.
26 June 2018	Strike Energy announces the Jaws project update stating Jaws-1 has finished running production tubing and Electric Submersible Pumps (ESPs).
04 June 2018	Strike Energy announces the successful completion of Jaws-1 stimulation program.
28 May 2018	Strike Energy announces successful drilling program and demobilisation of rig including stimulation preparatory.
02 May 2018	Strike Energy announces the Jaws project update stating Jaws-1 has successfully completed the installation of hydraulic fracturing simulation sleeves, and this completion significantly de-risks the project.
24 April 2018	Strike Energy announces the Jaws project update stating Jaws-1 has successfully placed a bridge plug in the original well bore.
28 March 2018	Strike Energy announces the company has executed an agreement with Warrego Energy Pty Ltd to acquire 50% and operatorship interest in permit EP 469 situated in the Perth Basin.
29 January 2018	Strike Energy announces the company has revised the gas sales agreement with Orora Limited that has originally been entered in 2014.
22 January 2018	Strike Energy announces a Jaws project update stating drill rig has begun arriving at PEL96 marking the beginning of operations for drilling and fracture stimulations of Jaws-1.
14 December 2017	Strike Energy announces a Jaws project update stating bulk civil works now complete in preparation for rig mobilisation.

Source: Strike Energy ASX Announcements from 1 October 2017 to 2 November 2018

In Table 7.6 below we have set out Strike Energy's VWAP for the 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 22 October 2018, being the date Strike Energy publicly announced the Offer.

Table 7.6: Strike Energy's VWAP for Specified Periods Prior to 22 October 2018

Period before 22 October 2018	VWAP (AUD) ¹
1 Week	\$0.1417
1 Month	\$0.1332
3 Months	\$0.1280
6 Months	\$0.1129
9 Months	\$0.0992
12 Months	\$0.0904

Source: Capital IQ as at 2 November 2018

¹ VWAP data may differ from the data set out in the Bidder's and Target's Statement due to differences in databases used. For the purposes of this Report, the differences are immaterial

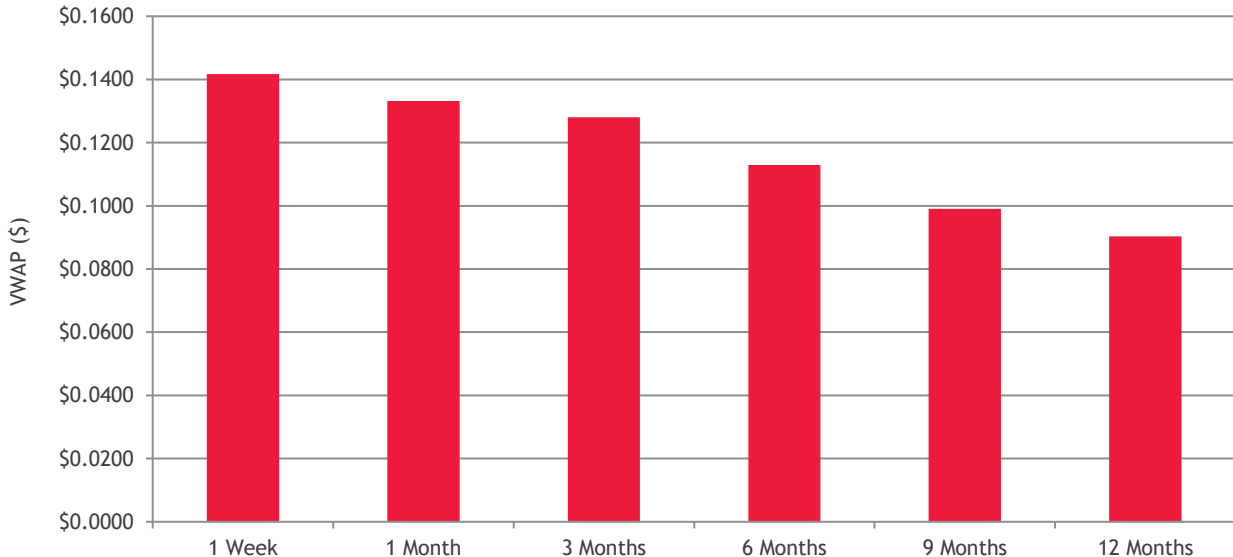
Over the period 22 October 2018 to 2 November 2018, Strike Energy shares have traded within the range of \$0.1075 to \$0.1200 per share, with a VWAP of \$0.1138 per share.

On 31 October 2018, Strike Energy announced that it had successfully completed the placement of 113,043,477 fully paid ordinary shares to international and local institutional and professional investors at 11.5 cents per share to raise

gross proceeds of \$13.0 million. Further, Strike Energy announced that it had issued an additional 528,558 fully paid ordinary shares to an advisor on the placement as payment for the advice received, calculated at the same issue price as the share placement.

The information presented in Table 7.6 is shown graphically in Figure 7.4 below.

Figure 7.4: Strike Energy’s VWAP for Specified Periods Prior to 22 October 2018



Source: Capital IQ as at 2 November 2018

7.4.2 Share Liquidity

The rate at which equity instruments are traded is generally referred to as the ‘liquidity’ of the equity instruments. Changes in liquidity may impact the trading price of equity instruments, particularly depending on the number of equity instruments required to be bought and/or sold and the time period over which the equity instrument holder needs to buy and/or sell those equity instruments. Depending on the circumstances, a movement in market price may or may not represent a shift in value of either the equity instruments or a shift in value of the company to which the equity instruments relate as a whole.

Table 7.7 summarises the monthly liquidity of Strike Energy shares from 1 October 2017 to 31 October 2018. Liquidity has been summarised by considering the following:

- ▶ Volume of Strike Energy share trades per month;
- ▶ Value of total trades in Strike Energy shares per month;
- ▶ Number of Strike Energy shares traded per month as a percentage of total Strike Energy shares outstanding at the end of the month; and
- ▶ Volume weighted average price per month.

Table 7.7: Liquidity of Strike Energy Shares on the ASX

Month	Volume	Turnover	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP
October 2018 (22 to 31)	23,457,940	2,696,660	1,123,511,730	2.09%	\$0.1150
October 2018 (1 to 21)	27,845,070	3,817,370	1,123,511,730	2.48%	\$0.1371
September 2018	20,115,830	2,624,250	1,123,511,730	1.79%	\$0.1305
August 2018	41,259,180	4,964,220	1,113,469,490	3.71%	\$0.1203
July 2018	32,121,310	4,175,780	1,094,640,300	2.93%	\$0.1300
June 2018	83,857,790	9,046,270	1,094,640,300	7.66%	\$0.1079
May 2018	40,012,000	2,992,320	1,094,640,300	3.66%	\$0.0748
April 2018	23,795,740	1,445,000	1,094,640,300	2.17%	\$0.0607
March 2018	24,134,770	1,702,650	1,094,640,300	2.20%	\$0.0705
February 2018	22,639,090	1,610,670	1,094,640,300	2.07%	\$0.0711
January 2018	23,791,760	1,737,810	1,094,640,300	2.17%	\$0.0730
December 2017	18,541,980	1,155,610	1,094,640,300	1.69%	\$0.0623
November 2017	34,030,060	2,058,850	1,094,640,300	3.11%	\$0.0605
October 2017	18,636,680	1,322,650	1,094,640,300	1.70%	\$0.0710

Month	Volume	Turnover	Shares Outstanding	Volume per Shares Outstanding	Monthly VWAP
Total	434,239,200	41,350,110	1,101,001,960	39.44%	\$0.0952

Source: Capital IQ as at 2 November 2018

Assuming a weighted average number of 1,101,001,960 Strike Energy shares on issue over the period, approximately 39.44% of the total shares on issue were traded over the period 1 October 2017 to 31 October 2018. In our view, this indicates that Strike Energy shares display a relatively low to moderate level of liquidity.

7.5 Historical Financial Information of Strike Energy

This section sets out the historical financial information of Strike Energy. As this Report contains only summarised historical financial information, we recommend that any user of this Report read and understand the additional notes and financial information contained in Strike Energy's annual reports, including the full statements of profit or loss and other comprehensive income, statements of financial position and statements of cash flows.

Strike Energy's financial statements have been audited by Deloitte. BDOCF has not performed any audit or review of any type on the historical financial information of Strike Energy and we make no statement as to the accuracy of the information provided. However, we have no reason to believe that any of the information provided is false or misleading.

7.5.1 Statements of Profit or Loss

Table 7.8 summarises the consolidated statement of profit or loss of Strike Energy for the 12 month periods ended 30 June 2015, 2016, 2017 and 2018.

Table 7.8: Summarised Strike Energy Statements of Profit or Loss

	12 Months Ended 30 Jun 2015 Audited (\$'000)	12 Months Ended 30 Jun 2016 Audited ¹ (\$'000)	12 Months Ended 30 Jun 2017 Audited ² (\$'000)	12 Months Ended 30 Jun 2018 Audited (\$'000)
Revenue from Oil and Gas Sales	2,696	-	-	-
Cost Recoveries	1,230	2,162	1,204	1,777
Royalty Income	35	-	-	-
Other Revenue	1	52	27	529
R&D Refund	5,750	-	-	-
Total Revenue	9,712	2,214	1,231	2,306
Cost of Sales	(1,704)	(19)	-	-
Gross Profit (Loss)	2,258	2,195	1,231	2,306
Employee Benefits Expense	(3,027)	(3,522)	(1,170)	(2,197)
Corporate Expenses	(465)	(433)	(555)	(617)
Depreciation	(1,276)	(35)	(55)	(51)
Other Expenses	(19,123)	(932)	(1,156)	(0.6)
Total Operating and Administration Expenses	(23,891)	(4,922)	(2,936)	(3.5)
Operating Profit (Loss) Before Interest Income and Finance Cost	(15,883)	(2,727)	(1,705)	(1.2)
Interest Income	7,184	114	65	0.1
Finance Costs	(1,026)	(498)	(276)	(0.4)
Profit (Loss) Before Income Tax	(9,725)	(3,111)	(1,916)	(1,540)
Income Tax Benefit (Expense)	-	8,454	6,334	3,697
Profit for the Year from Continuing Operations	(9,725)	5,343	4,418	2,157
Discontinued Operations	-	(1,016)	(8,735)	-
Exchange Difference Arising on Translation of Foreign Operations	(5,377)	-	-	-
Profit (Loss)	(9,725)	4,327	(4,317)	2,157

Source: Strike Energy FY15, FY16, FY17, FY18 Annual Reports

- FY16 restated statement has been adopted from FY17 Annual Report. FY16 restated has been adjusted for continued operations post divestment of USA assets and reclassification of R&D refunds from other income to tax benefits.
- FY17 restated statement has been adopted from FY18 Annual Report. FY18 and restated FY17 statements, cost recoveries from 66.7% interest in PEL 96 joint ventures are netted with employee benefits expense. Cost recoveries now reflect only recoveries from external joint venture partners. An amount of \$2.455 million has been reclassified from other income to employment benefits expense in restated FY17 statements. FY17 restated statements reclassify \$2.455 million from payments to suppliers and goods (initially \$7.20 million to \$4.75 million) to payments for exploration, evaluation and oil and gas producing assets (initially \$8.00 million to \$10.455 million).

With reference to Table 7.8 above, we note the following:

- ▶ Total revenue has decreased by approximately 70% in restated FY17 due to Strike Energy ceasing to be an oil and gas producer and divesting its USA assets. Cost recoveries including GST refunds comprise Strike Energy's main source of revenue in FY17 restated and FY18;
- ▶ \$2.2 million decrease in FY18 profit from continuing operations is driven by a decrease in income tax benefit received from AusIndustry Research and Development Incentive Scheme compared to FY17. Decrease in research and development refund is driven by the extent to which exploration and evaluation expenditure costs are eligible activities under the Research and Development Tax Incentive Program. During FY18, Strike Energy increased the company's focuses on the development of Jaws-1 and West Erregulla assets over pure exploration activities;
- ▶ As Strike Energy has not recorded taxable profits throughout the period considered and, as of 30 June 2018, does not operate any revenue generating assets, accounting standards do not allow the company to record any tax benefits that arise from losses. For accounting purposes, it is not regarded as probable that any tax losses are recoverable. As at 30 June 2018, Strike Energy has a net unrecognised deferred tax asset of approximately \$12.5 million;
- ▶ During FY17, Strike Energy disinvested from all USA working interest as relating to joint ventures and other agreements. The net loss from discontinued operations totalled approximately \$8.7 million, driven primarily from an approximate \$10.9 million loss on sale of production assets; and
- ▶ During FY18, Strike Energy undertook transactions involving related parties. Strike Energy states all transactions with related parties have been at arms-length and on standard commercial terms, including:
 - Transactions regarding commercial office space involving amounts paid/payable to M H Carnegie & Co, an entity relating to director Mr M Carnegie, totalling \$44,271;
 - Transactions regarding construction services involving amounts paid/payable to Ostwald Bros Pty Ltd, an entity relating to director Mr B Ostwald, totalling \$27,741;
 - Transactions regarding geological sample analysis, handling and storage services involving amounts paid/payable to Challenger Geological Services Pty Ltd, an entity relating to former director Mr S Ashton, totalling \$1,525; and
 - Transactions regarding aviation services involving amounts paid/payable to Revesco Aviation Pty Ltd, an entity relating to director Mr J Poynton, totalling \$20,900.

7.5.2 Statements of Financial Position

Table 7.9 summarises Strike Energy's statements of financial position as at 30 June 2015, 2016, 2017 and 2018.

Table 7.9: Summarised Strike Energy Consolidated Statements of Financial Position

	As at 30 Jun 2015 Audited (\$'000)	As at 30 Jun 2016 Audited (\$'000)	As at 30 Jun 2017 Audited (\$'000)	As at 30 Jun 2018 Audited (\$'000)
Current Assets				
Cash and Cash Equivalents	11,694	7,214	4,863	2,973
Trade and Other Receivables	421	346	417	572
Other Financial Assets	76	74	104	206
Total Current Assets	12,191	7,634	5,384	3,751
Non-Current Assets				
Other Financial Assets	320	33	33	31
Exploration and Evaluation Assets	43,693	58,365	66,946	84,108
Oil and Gas Producing Assets	1,233	817	-	-
Property, Plant and Equipment	82	164	139	88
Total Non-Current Assets	45,328	59,379	67,118	84,227
Total Assets	57,519	67,013	72,502	87,978
Current Liabilities				
Trade and Other Payables	2,875	2,996	1,004	2,703
Employee Benefits	82	101	97	169
Provisions	54	-	12	53
Borrowings	6,783	4,265	3,158	5,265
Total Current Liabilities	9,794	7,362	4,271	8,190
Non-Current Liabilities				
Employee Benefits	33	78	28	54

	As at 30 Jun 2015 Audited (\$'000)	As at 30 Jun 2016 Audited (\$'000)	As at 30 Jun 2017 Audited (\$'000)	As at 30 Jun 2018 Audited (\$'000)
Derivatives	19	26	-	-
Provisions	273	226	-	1,889
Borrowings	4,995	5,602	2,500	2,442
Other Liabilities	12,100	12,100	14,100	12,277
Total Non-Current Liabilities	17,420	18,032	16,628	16,662
Total Liabilities	27,214	25,394	20,899	24,852
Net Assets	30,305	41,619	51,603	63,126
Equity				
Issued Capital	121,806	128,122	132,272	140,897
Reserves	(6,137)	(5,466)	762	1,503
Accumulated Losses	(85,364)	(81,037)	(81,431)	(79,274)
Total Equity	30,305	41,619	51,603	63,126

Source: Strike Energy FY15, FY16, FY17, FY18 Annual Reports

With reference to Table 7.9 above, we note the following:

- ▶ Cash and cash equivalence have decreased by approximately 75% over the four years while Strike Energy. Post 30 June 2018, Strike Energy raised approximately \$16 million for future funding and asset development;
- ▶ Exploration and evaluation assets have approximately doubled between FY15 and FY18, representing a growth rate of approximately 24%. Exploration and evaluation increased by \$17.2 million in FY18 primarily driven by additions from expenditures relating to Jaws-1 drilling and appraisal work as well as West Erregulla 2D and 3D seismic programs;
- ▶ Oil and gas producing assets reduced to nil in line with Strike Energy's disinvestment of its USA assets in FY17;
- ▶ Current and non-current provisions relate to restoration and rehabilitation provisions for future removal and environmental restoration costs of exploration and evaluation. Provisions are recognised at the time the environmental disturbance occurs and capitalised as part of the associated costs;
- ▶ Current and non-current borrowings relate to interest-bearing CBA and Orica facilities;
 - On 30 January 2018, Strike Energy established a new debt facility with CBA to provide pre-funding for eligible R&D expenditure to be incurred up to 30 November 2018, in accordance to ATO guidelines and requirements. The CBA facility is capped at \$5.4 million, collateralised from the FY18 R&D refund, and secured by a charge over Strike Energy's assets. Interest on the facility accrues at the relevant maturity Bank Bill Swap Bid Rate ('BBS') plus 4.55%. Strike Energy estimate the fair value of the facility at \$5.265 million;
 - On 21 September 2017, terms and conditions of Orica's \$2.5 million loan made in 2013 were amended in conjunction to an updated Gas Sales Agreement. The original loan, payable on 30 June 2018, was extended to 31 December 2021 and will accrue interest at 5.8% from 15 July 2018. Orica has the right to convert the principal and accrued interest of the loan to Strike Energy ordinary shares (in whole or part) after 1 September 2018 at Strike Energy's 30-day VWAP provided the conversion price is greater than 20 cents. Strike Energy estimate the fair value of the facility to be \$2.442 million;
- ▶ Total assets have increased by approximately 1.5x while net assets by approximately 2.1x between FY15 and FY18. Total assets have been driven by increases in exploration and evaluation that offset reductions in cash and cash equivalents. Net assets have additionally benefited from the reduction of approximately 35% in total debt over the period; and
- ▶ Issued capital has increased by approximately \$21.9 million between the date of this report and 30 June 2018 in line with a net raise of \$2.9 million from a share placement on 10 August 2018, and approximately \$18 million from the placement and SPP announced on 24 October 2018.

7.5.3 Statements of Cash Flows

Table 7.10 summarises Strike Energy's statement of cash flows for the 12 month periods ended 30 June 2015, 2016, 2017 and 2018.

Table 7.10: Summarised Strike Energy Consolidated Statements of Cash Flows

	12 Months Ended 30 Jun 2015 Audited (\$'000)	12 Months Ended 30 Jun 2016 Audited (\$'000)	12 Months Ended 30 Jun 2017 Restated ¹ (\$'000)	12 Months Ended 30 Jun 2018 Audited (\$'000)
Cash flow from Operating Activities				
Receipts from Operations	13.81	1.59	0.90	0.00
Research and Development Refund	5.75	8.45	6.33	3.70
Net Interest Received	-	-	(0.24)	(0.07)
Net Receipts from Joint Venture Recoveries	0.40	0.65	1.12	2.01
Payments to Suppliers and Employees	(7.15)	(5.73)	(4.75)	(3.29)
Net Cash Provided by Operating Activities	12.81	4.96	3.37	2.35
Cash Flow from Investing Activities				
Payments for Exploration, Evaluation Expenditure and Oil and Gas Production Assets	(20.88)	(13.06)	(10.46)	(15.19)
Grants	-	-	2.00	0.44
Refund/(Payment) of Security Deposits	-	0.28	(0.04)	(0.13)
Recoveries/(Advances) Made to Joint Venture Participants	-	-	(0.31)	0.31
Payments Made for Acquisitions	-	-	-	(0.41)
Proceeds from Assets Held for Sale	5.03	-	-	-
Proceeds from Sale of Non-Current Assets	-	-	0.07	-
Payments for Property, Plant and Equipment	(0.01)	(0.12)	(0.03)	-
Net Cash provided by Investing Activities	(15.86)	(12.90)	(8.76)	(14.99)
Cash Flow from Financing Activities				
Proceeds from the Issue of Shares	-	6.70	4.50	9.10
Payments of Share Issue Costs	-	(0.38)	(0.35)	(0.48)
Proceeds from Borrowings	5.87	4.00	3.20	5.27
Repayments of Borrowings	(1.04)	(6.13)	(4.11)	(3.20)
Payment of Borrowing Costs	(0.13)	(0.06)	(0.11)	(0.00)
Term Deposit Maturity	-	-	-	0.04
Net Interest Received	(0.71)	(0.73)	-	-
Net Cash provided by Financing Activities	3.98	3.39	3.13	10.73
Increase/(Decrease) in Cash and Cash Equivalents	0.94	(4.54)	(2.27)	(1.92)
Cash at Beginning of Financial Year	10.62	11.69	7.21	4.86
Effects of Exchange Rate on the Balances of Cash Held in Foreign Currencies	0.13	0.06	(0.08)	0.03
Cash and Cash Equivalents at the End of Financial Year	11.69	7.21	4.86	2.97

Source: Strike Energy Annual Report FY15, FY16, FY17, FY18

¹ FY17 restated statement has been adopted from FY18 Annual Report. FY18 and restated FY17 statements, cost recoveries from 66.7% interest in PEL 96 joint ventures are netted with employee benefits expense. Cost recoveries now reflect only recoveries from external joint venture partners. An amount of \$2.455 million has been reclassified from other income to employment benefits expense in restated FY17 statements. FY17 restated statements reclassify \$2.455 million from payments to suppliers and goods (initially \$7.20 million to \$4.75 million) to payments for exploration, evaluation and oil and gas producing assets (initially \$8.00 million to \$10.455 million).

With reference to Table 7.10 above, we note the following:

- ▶ Receipts from operations and payments have declined to near nil while payments to suppliers and employees have decreased by approximately half over the period considered in line with the USA divestment in FY17 and Strike energy ceasing to hold any producing assets. Cash flow from operating activities have decreased approximately 80%, reflecting Strike Energy's change in focus;
- ▶ Payments for Exploration, Evaluation Expenditure and Oil and Gas Production Assets decreased in FY17 due to the sale of USA assets while recovering in FY18 with the acceleration of Jaws-1 appraisal work, and acquisitions and farm-in of West Erregulla. Cash flows from investing activities have remained relatively stable throughout Strike Energy's refocus;

- ▶ Net negative cash flow from operating and investing activities have been offset from financing activities. During FY18, \$9.1 million cash was raised through the issue of new shares while an additional \$21.9 million was raised post 30 June 2018 from a share placement on 10 August 2018 and a placement and SPP announced on 24 October 2018.

8.0 Industry Overview

This section sets out a summary of the global and domestic natural gas industry. The information presented in this section has been compiled from a range of publicly available sources. This summary is not intended to be a comprehensive analysis of the natural gas industry.

We recommend that UIL Energy shareholders refer to the original source of information referred to in this section, and any other information they believe appropriate, for a more comprehensive analysis. This section should be referred to as a broad guide only.

8.1 Natural Gas Overview

Natural gas is formed through the decomposition, heating, and pressurisation of organic matter at depth to form hydrocarbons. Hydrocarbons are an organic compound that come in lengths and consist entirely of hydrogen and carbon molecules, that, when broken, release energy when combusted.

Reservoirs containing natural gas are referred to as either conventional or unconventional reservoirs. The key distinction between the type of reservoir primarily relates to the porosity (a measure of empty space in a material), permeability (a measure of the ability of a substance to allow other substances to flow through it), as well as the source rock and general geology of the reservoir. Conventional reservoirs are generally easier to extract gas from while unconventional reservoirs require more complex extraction methods and technology.

Conventional gas is extracted through traditional drilling techniques whereby gas is typically contained in sedimentary rocks (often sandstone) and trapped by an impermeable rock cap. An advantage of conventional gas reservoirs is that, once the well is established, gas flows freely to the surface.

Unconventional gas is often found in deeper, more complex geological formations with limited capacity to migrate. Unconventional gas requires greater investment and more sophisticated extraction technology and methods including the strategic use of multiple wells and hydraulic fracture stimulations. Unconventional gas reservoirs take three main forms; coal seam gas ('CSG'), tight gas, and shale gas.

CSG typically refers to methane gas that is trapped within the coal seam under pressure. Extraction may require the use of multiple wells with horizontal components, or additional hydraulic fracture stimulations. Reservoirs require de-watering before the pressure in the seam equalises with groundwater pressure, and allows the gas to freely flow to the surface.

Tight gas and shale gas are typically found at depths greater than CSG with lower permeability compared to conventional gas reservoirs. Both tight gas and shale gas require the use of more sophisticated extraction techniques including horizontal drilling and hydraulic fracture stimulations, and are generally found at depths greater than 1,000 metres.

Table 8.1 summarises the different types of natural gases and their common uses.

Table 8.1: Properties and Uses of Different Types of Oils and Gases

Gas	Description	Uses
Methane	Natural gas found in several different rocks, including coal seams, sandstone, and shale	<ul style="list-style-type: none"> ▶ Electricity generation ▶ Cooking, heating houses and buildings, and heating water
CSG	Natural gas sourced from coal deposits	<ul style="list-style-type: none"> ▶ Fertilisers, glass, steels, plastics, paint and fabrics
Shale and Tight Gas	Natural gas that has been trapped in low-fracture, low permeability formations with no natural flow which can be extracted by use of hydraulic fracturing and horizontal drilling techniques	
Liquefied Natural Gas ('LNG')	Natural gas chilled to -161°C until it's in a liquid form which can be reduced to 1/600 th of its original size so that it can be transported safely and economically	

Source: APPEA, Queensland Government, Australian Government, Geoscience Australia

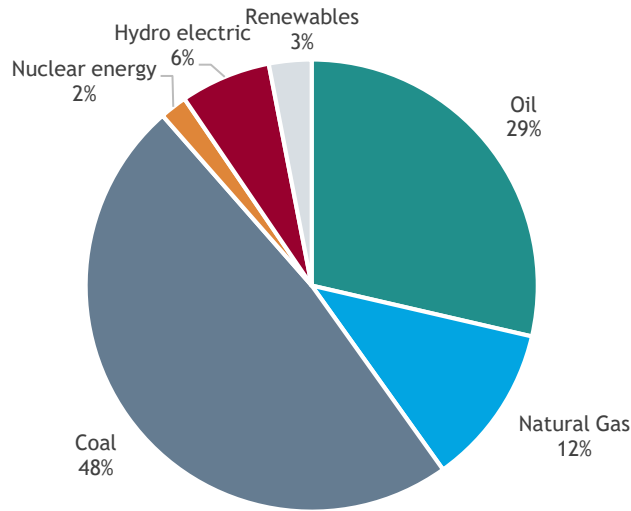
8.2 Global Natural Gas Industry

8.2.1 Global Energy Consumption

Global consumption of energy has increased steadily from 4,874.8 million tonnes of oil equivalent in 1970 to 13,511.2 million tonnes of oil equivalent in 2017, representing a geometric growth rate of approximately 2.2% per year. Asia has grown from being the fourth highest energy consuming geographic location in the 1970 to the highest in 2017, demanding approximately double that of the second largest consumer, North America.

Much of the global energy consumption each year is sated by natural gas. In 2017, natural gas was the third most utilised source of global energy, supplying 12% of global energy consumption. Coal and oil are the biggest sources of energy, representing 48% and 29% of global energy consumption respectively.

Figure 8.1: Global Energy Consumption by Source in 2017

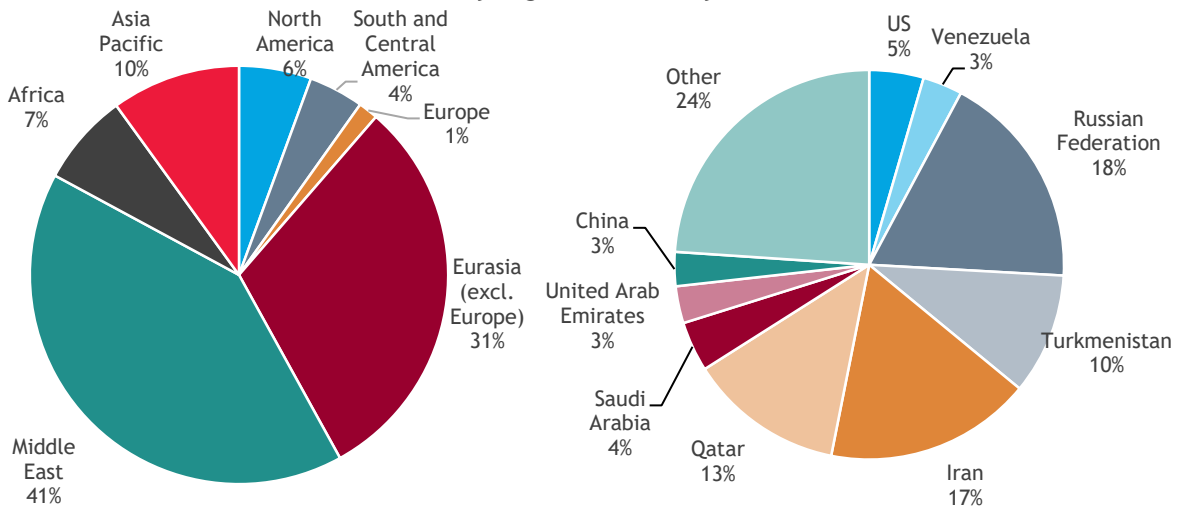


Source: BP Statistical Review of World Energy - June 2018

8.2.2 Global Natural Gas Reserves

As of June 2018, there are 193.5 Tm³ of proved natural gas reserves globally. Figure 8.2 illustrates global natural gas proved reserves by region and country as at June 2018.

Figure 8.2: Global Natural Gas Proved Reserves by Region and Country

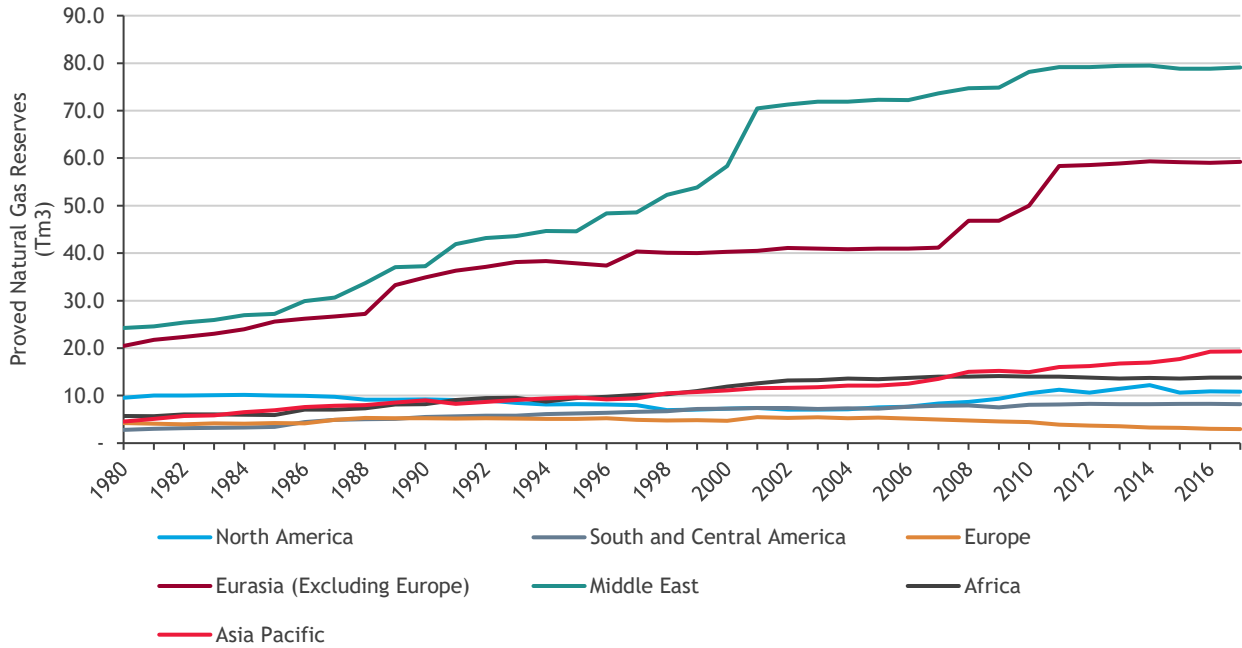


Source: BP Statistical Review of World Energy - June 2018

By region, the Middle East and Eurasia represent collectively approximately 72% of the world’s proven gas reserves at 79.1 Tm³ and 59.2 Tm³ respectively. By country, the top three countries by proven reserves are Russia, Iran and Qatar, with 35.0 Tm³, 33.2 Tm³, and 24.9 Tm³ respectively.

Figure 8.3 illustrates global natural gas proved reserves by region between 1980 and 2017.

Figure 8.3: Global Natural Gas Proved Reserves by Region between 1980 and 2017



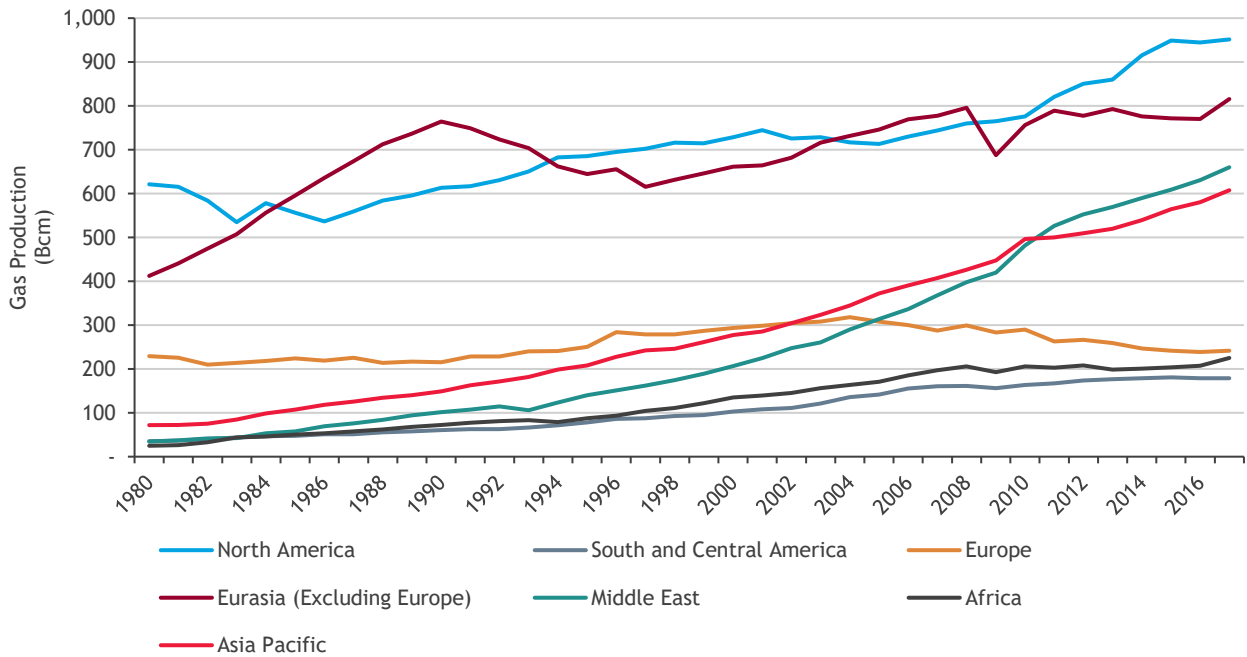
Source: BP Statistical Review of World Energy - June 2018

The Middle East and Eurasia have consistently held the largest proven global natural gas reserves throughout the period and hold many multiples larger than the collective remaining global reserves.

8.2.3 Global Natural Gas Production

Figure 8.4 illustrates global natural gas production by region between 1980 and 2017. Over the period, North America and Eurasia (excluding Europe) remain the largest natural gas producing regions in the world while the Middle East and Asia Pacific production has grown exponentially, resulting in the regions becoming the third and fourth largest global producers respectively.

Figure 8.4: Global Natural Gas Production by Region between 1980 and 2017

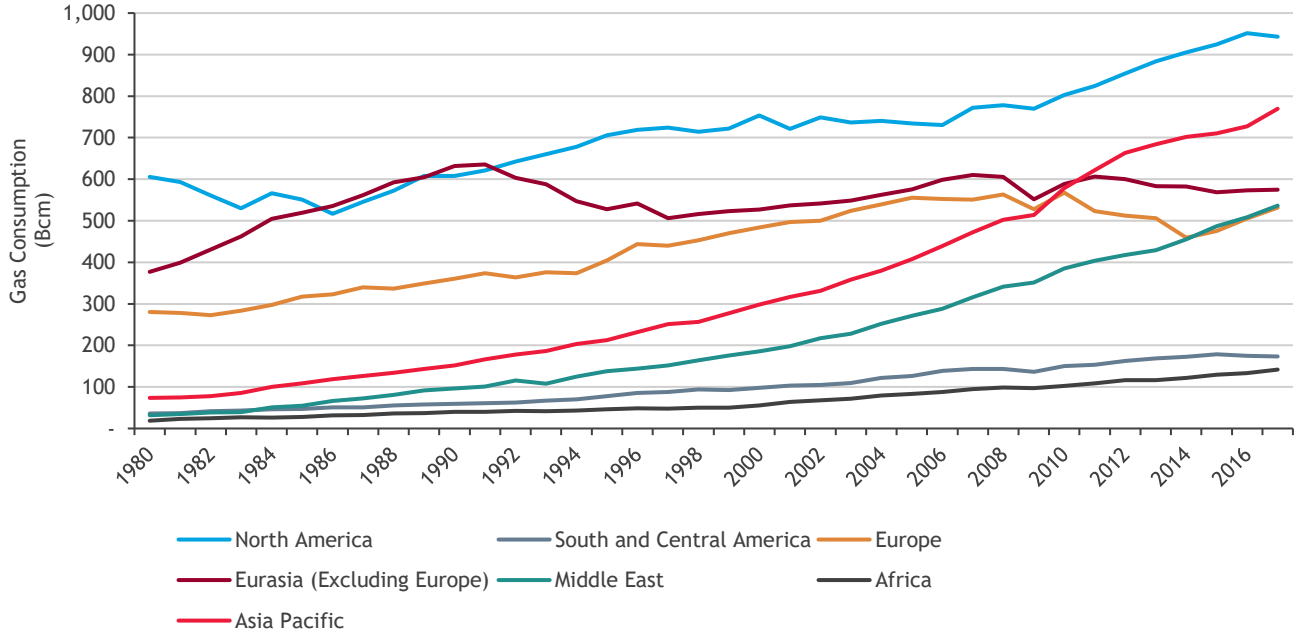


Source: BP Statistical Review of World Energy - June 2018

8.2.4 Global Natural Gas Consumption

Figure 8.5 illustrates global natural gas consumption by region between 1980 and 2017. Figure 8.5 shows that North America is the biggest consumer of natural gas globally. However, there has been rapid growth in the consumption of natural gas in both Asia Pacific and the Middle East.

Figure 8.5: Global Natural Gas Consumption by Region between 1980 and 2017

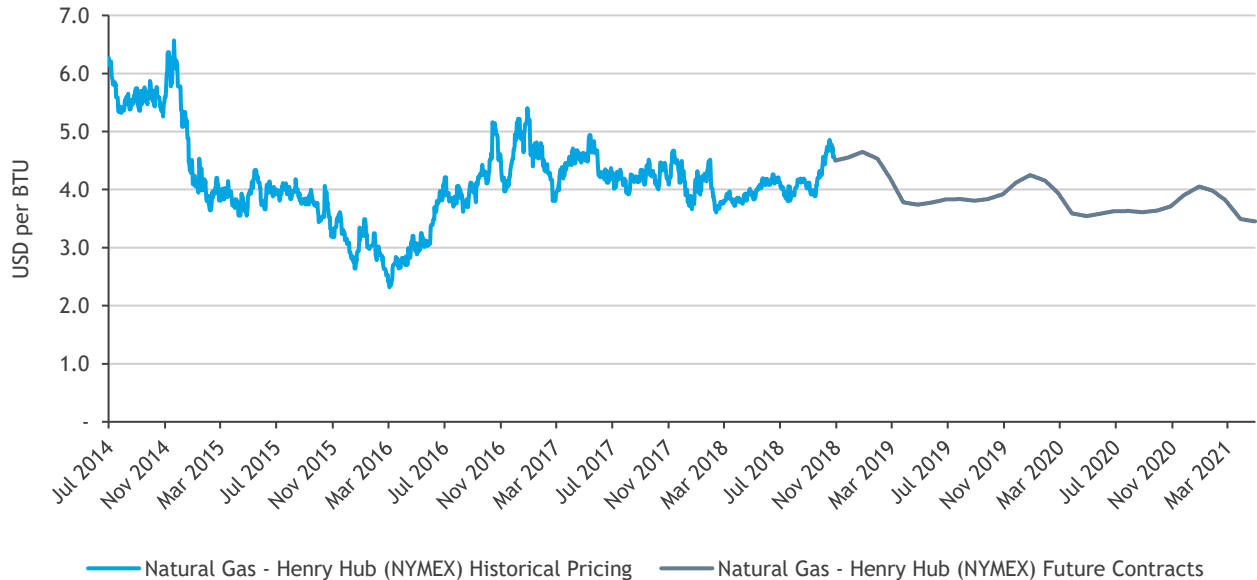


Source: BP Statistical Review of World Energy - June 2018

8.2.5 Recent Trends in Global Natural Gas Prices

Figure 8.6 illustrates the US Henry Hub natural gas spot rate between July 2014 and October 2018, as well as the Henry Hub natural gas futures price for the period to March 2021.

Figure 8.6: Henry Hub Natural Gas Spot Price and Futures Price



Source: Capital IQ as at 29 October 2018

8.3 Australian Natural Gas Industry

8.3.1 Overview of the Australian Natural Gas Industry

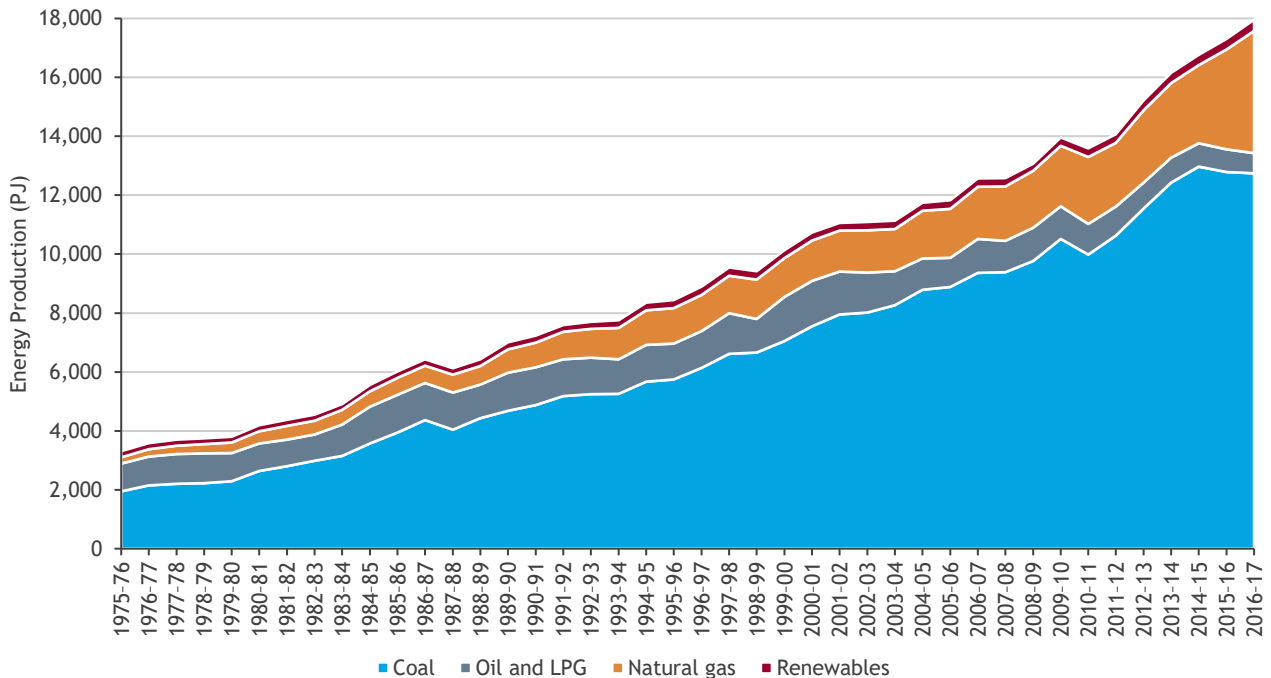
The natural gas industry in Australia is made up of a number of operators engaged in the extraction and production of conventional and unconventional natural gas sold to both domestic and international markets.

Australia is a net energy exporter, with 66% of all energy produced in Australia in 2017 (or 11.8 PJ out of a total of 18.0 PJ) being exported. Since 1980, Australian energy production has increased by approximately 4% p.a. while consumption has increased by approximately 1.8% p.a. The difference between consumption and production growth in Australia has led to an increase of approximately 7.1% p.a. in energy exports since 1980. LNG, and oil and Liquid Petroleum Gas ('LPG') exports represent 20.2% (2,864.5 PJ) and 3.8% (534.0 PJ) in 2017.

Natural gas production in Australia increased by approximately 23% in 2017 primarily due to increases in CSG production in Queensland. Increased Queensland CSG production was a major driver for the 41% uptick in LNG exports in 2017. The increase in exports was additionally aided by new capacity coming online in both Queensland and Western Australia during the year. CSG represents one third of Australian gas production and nearly two-thirds of east coast gas production in 2017.

Figure 8.7 illustrates the Australian energy production mix between 1976 and 2017.

Figure 8.7: Australian Production Energy Mix Between 1976 and 2017

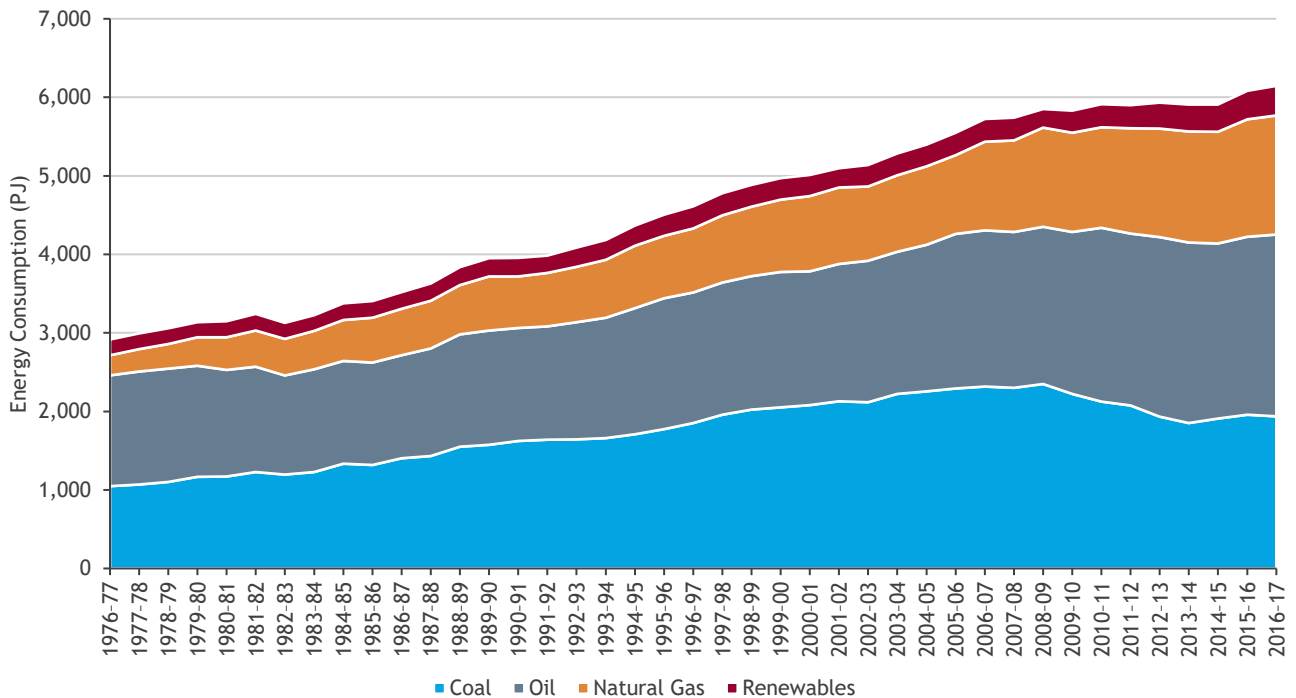


Source: Department of the Environment and Energy (2018) Australian Energy Statistics

Australian energy production has increased exponentially during the period, with coal the dominant commodity. Since the late 2000s however, Australia gas production has increased and solidified its position as Australia's second largest source of energy production. Australia's natural gas production represented 18% of global gas production in 2017.

Figure 8.8 illustrates the Australian energy consumption mix between 1976 and 2017.

Figure 8.8: Australian Consumption Energy Mix Between 1976 and 2017



Source: Department of the Environment and Energy (2018) Australian Energy Statistics

Figure 8.8 highlights the significant disconnect between Australia energy production and consumption, with Australia in aggregate producing approximately 2.5x the energy the country consumed in 2017. Growth in excess production has supported a rapid increase in Australian energy exports with approximately two thirds of the energy produced being exported in 2017. Figure 8.8 also highlights the diminishing relevance of coal to the Australian energy mix, as well as the increasing importance of oil and natural gas.

8.3.2 Australian Gas Resources

In 2017, Australian proven natural gas resources were 3.6 Tm³, which represented 1.9% of the world’s proven natural gas resources. Australia’s proven natural gas reserves primarily consist of conventional gas reservoirs, while 75% of total Australian natural gas resources comprise of prospective shale gas resources.

Table 8.2 details Australian gas conventional and unconventional gas resources.

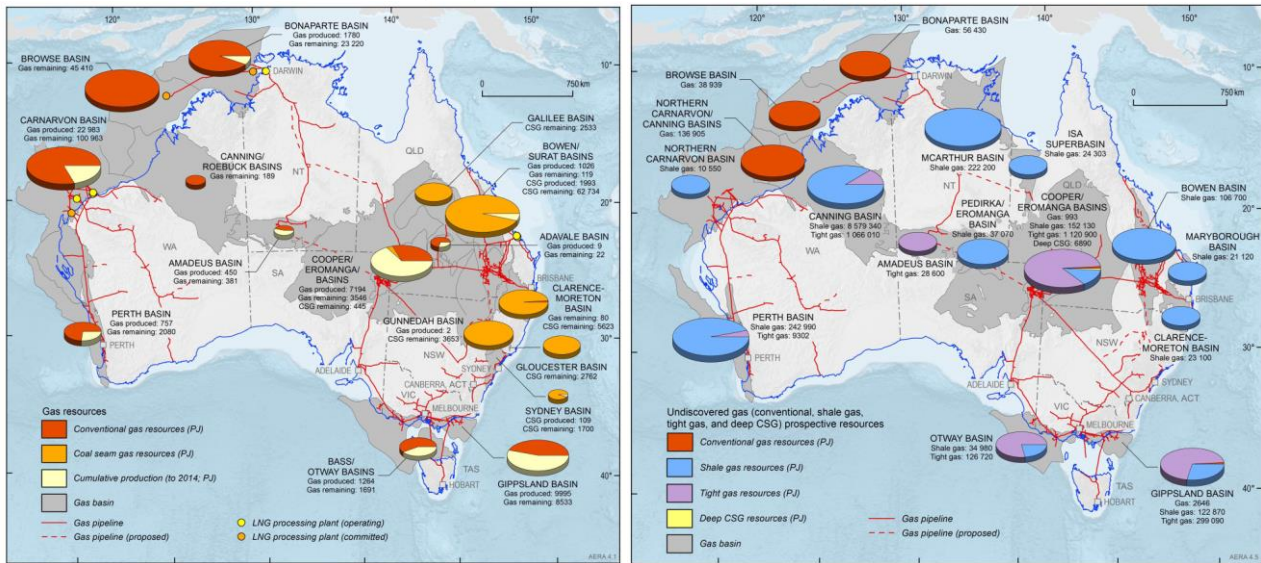
Table 8.2: Australia Total Identified and Prospective Gas Resources

Resource Category	Conventional Gas (PJ)	Coal Seam Gas (PJ)	Tight Gas (PJ)	Shale Gas (PJ)
Reserves	77,253	45,895	39	-
Contingent Resources	108,982	33,555	1,709	12,252
Prospective Resources	235,913	6,890	2,650,622	9,577,353
Total Gas	422,148	86,340	2,652,370	9,589,605

Source: Australian Energy Resources Assessment ('AERA') June 2018

Figure 8.8 illustrate Australian gas resources and undiscovered resources by location in 2017.

Figure 8.9: Australian Gas Resources (Left) and Undiscovered Resources (Right)



Source: Australian Energy Resources Assessment ('AERA') June 2018

Figure 8.9 additionally shows Australia's three core gas pipelines spread across Western Australia, Northern Territory, and the East Coast.

Australia currently has more than 20,000km of high-pressure gas transmission pipelines, and 75,000km of low-pressure transmission pipelines.

East Coast major pipelines connect the Gippsland Basin, Otway Basin, Murray Basin, and Cooper Basin to major population and industrial centres on the east coast of Australia, including Brisbane, Sydney, Melbourne, and Adelaide. The East Coast has undergone significant transformation in recent years due to the growth in LNG demand and exports and the development of new infrastructure in Queensland. East Coast gas production is increasingly becoming dependent on unconventional gas resources.

The West Coast market comprises of over half of Australia's gas resources and the majority of Australia's remaining conventional gas reservoirs. West Coast pipelines connect the Perth Basin, Carnarvon Basin, Canning Basin, and Amadeus Basin to Perth and major export channels.

Efforts are underway to connect each of the major Australian gas pipelines, with construction focusing on the Northern Territory and East Coast channels.

8.3.3 Recent Events Related to Australian Natural Gas Industry

During 2018, there were a number of significant developments announced in response to an east coast energy shortage that impacted upon the Australian natural gas industry. Following political pressure, the Australian Government reached an agreement with major gas producers to offer sufficient gas to the domestic market to meet shortfalls in energy demands on competitive terms, notwithstanding the strong demand and potential higher prices in the export market.

Several key political and industry decisions were taken on how gas may be positioned within the energy system in the long term. Initiatives announced included the roll out of the Australian Domestic Gas Security Mechanism, the National Energy Guarantee proposal (since withdrawn), the repeal of the hydraulic stimulation moratorium in the Northern Territory and the decision not to proceed with the West-East Gas Pipeline. The purpose of each of these initiatives was to secure future gas supply for the highly constrained domestic market.

9.0 Common Valuation Methodologies

A 'fair market value' is often defined as the price that reflects a sales price negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing but not anxious seller, with both parties at arm's length. The valuation work set out in this Report assumes this relationship.

RG 111 outlines a number of methodologies that a valuer should consider when valuing securities or assets for the purposes of, among other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. The valuation methodologies we have considered in this Report include the discounted cash flows ('DCF'), capitalisation of maintainable earnings ('CME'), asset-based valuation ('ABV') and market-based valuation ('MBV') methodologies.

RG 111 does not prescribe which methodology should be used by the expert, but rather notes that the decision lies with the expert based on the expert's skill and judgement and after considering the unique circumstances of the securities or assets being valued.

9.1 Discounted Cash Flows ('DCF')

The DCF approach calculates the value of an entity by adding all of its future net cash flows discounted to their present value at an appropriate discount rate. The discount rate is usually calculated to represent the rate of return that investors might expect from their capital contribution, given the riskiness of the future cash flows and the cost of financing using debt instruments.

In addition to the periodic cash flows, a terminal value is included in the cash flow to represent the value of the entity at the end of the cash flow period. This amount is also discounted to its present value. The DCF approach is usually appropriate when:

- ▶ An entity does not have consistent historical earnings but is identified as being of value because of its capacity to generate future earnings; and
- ▶ Future cash flow forecasts can be made with a reasonable degree of certainty over a sufficiently long period of time.

Any surplus assets, along with other necessary valuation adjustments, are added to the DCF calculation to calculate the total entity value.

9.2 Capitalisation of Maintainable Earnings ('CME')

The CME approach involves identifying a maintainable earnings stream for an entity and multiplying this earnings stream by an appropriate capitalisation multiple. Any surplus assets, along with other necessary valuation adjustments, are added to the CME calculation to calculate the total entity value.

The maintainable earnings estimate may require normalisation adjustments for non-commercial, abnormal or extraordinary events.

The capitalisation multiple typically reflects issues such as business outlook, investor expectations, prevailing interest rates, quality of management, business risk and any forecast growth not already included in the maintainable earnings calculation. While this approach also relies to some degree on the availability of market data, the multiple is an alternative way of stating the expected return on an asset.

The CME approach is generally most appropriate where an entity has historical earnings and/or a defined forecast or budget. Further, a CME is usually considered appropriate when relevant comparable information is available.

9.3 Asset Based Valuation ('ABV')

An ABV is used to estimate the fair market value of an entity based on the book value of its identifiable net assets. The ABV approach using a statement of financial position alone may ignore the possibility that an entity's value could exceed the book value of its net assets. However, when used in conjunction with other methods which determine the value of an entity to be greater than the book value of its net assets, it is also possible to arrive at a reliable estimate of the value of intangible assets including goodwill.

Alternatively, adjustments can be made to the book value recorded in the statement of financial position in circumstances where a valuation methodology exists to readily value the identifiable net assets separately and book value is not reflective of the true underlying value. Examples of circumstances where this type of adjustment may be appropriate include when valuing certain types of identifiable intangible assets and/or property, plant and equipment.

The ABV approach is most appropriate where the assets of an entity can be identified and it is possible, with a reasonable degree of accuracy, to determine the fair value of those identifiable assets.

9.4 Market Based Valuation ('MBV')

An MBV methodology determines a value for an entity by having regard to the value at which securities in the entity have recently been purchased. This approach is particularly relevant to:

- ▶ Entities whose shares are traded on an exchange. The range of share prices observed may constitute the market value of the shares where a sufficient volume of shares is traded and the shares are traded over a sufficiently long period of time; and/or
- ▶ Entities for which it is possible to observe recent transactions relating to the transfer of relatively large parcels of shares (e.g. recent capital raisings).

For listed entities, the range of share prices observed may constitute the market value of the shares in circumstances where sufficient volumes of shares are traded and the shares are traded over a sufficiently long period of time. Share market prices usually reflect the prices paid for parcels of shares not offering control to the purchaser.

10.0 Valuation of UIL Energy

This Section sets out our valuation of the shares in UIL Energy as follows:

- ▶ Section 10.1 sets out our view of the most appropriate methodology to value UIL Energy;
- ▶ Section 10.2 sets out our overview of the RISC Independent Technical Specialist Report;
- ▶ Section 10.3 sets out our primary valuation of UIL Energy having regard to an ABV approach;
- ▶ Section 10.4 sets out our cross-check valuation of UIL Energy having regard to a MBV approach;
- ▶ Section 10.5 sets out a comparison of the ABV to the MBV; and
- ▶ Section 10.6 sets out our conclusion on the value of UIL Energy for the purposes of this Report.

10.1 Our Valuation Approach for UIL Energy

We have considered each of the valuation methodologies outlined in Section 9 above and determined, in our view, the most appropriate methodology for calculating the value of UIL Energy. Having regard to our assessment of the nature of UIL Energy's assets, we have chosen to employ an ABV approach as our primary valuation methodology and an MBV approach as a cross-check valuation methodology.

Table 10.1: Valuation Methodologies Considered

Methodology	Appropriate?	Explanation
DCF Valuation	✘	The DCF methodology relies on projections which predict the future cash flows of a company with a reasonable degree of certainty over a sufficiently long period of time. We have not been provided with detailed cash flow projections over a suitable period of time for use in a DCF valuation and do not have access to sufficient information that would enable us to prepare future cash flow projections with the appropriate level of certainty or accuracy at the current time. We are of the view that it is more appropriate to adopt valuation methodologies other than the DCF approach for the purpose of valuing UIL Energy in this Report.
CME Valuation	✘	UIL Energy do not currently have maintainable earnings suitable for use in a CME valuation methodology as the Company has recorded a net loss in recent years and currently does not own any operating assets. We are of the view that there are more appropriate valuation methodologies than the CME valuation methodology which can be adopted for the purpose of valuing UIL Energy in this Report.
Asset Based Valuation	✔	In our view, it is appropriate to have regard to an ABV methodology for the purposes of valuing UIL Energy in this Report. The assets of UIL Energy can be identified and it is possible to determine the fair value of those identifiable assets with a reasonable degree of accuracy. The information that we have been provided to assist with our ABV in relation to the assets and liabilities of UIL Energy includes the following: <ul style="list-style-type: none"> ▶ The Independent Technical Specialist's Report prepared by RISC dated 6 November 2018 sets out RISC's view of the fair value of UIL Energy's permits. We have relied on the RISC Report when completing our ABV of UIL Energy; and ▶ An audited statement of financial position for UIL Energy as at 30 June 2018, which sets out information on the value of other assets and liabilities held by UIL Energy.
Market Based Valuation	✔ Cross-check	It is generally possible to complete a market based valuation of a company when there is a readily observable market for the trading of the company's shares. The shares of UIL Energy are listed on the ASX and it is possible to observe the market price of trades in UIL Energy shares. We note that the MBV provides information relating to a valuation of UIL Energy shares on a minority interest basis. In our view, it is appropriate to have regard to the MBV methodology for the purpose of calculating the value of UIL Energy shares.

Source: BDOCF analysis

10.2 Overview of RISC's Technical Specialist Report

We have had regard to the RISC Report dated 6 November 2018 in determining the fair value of UIL Energy's permits. The Report documents RISC's review of UIL Energy's petroleum reserves, resources and associated development schedules, production and cost forecasts. RISC has reviewed estimates provided by UIL Energy and made adjustments that in RISC's judgement were necessary to provide a reasonable assessment and reflect current information.

RISC has utilised a number of methods in valuing UIL Energy's permits, including comparable asset sales and farm-out transactions in the current market and existing work program commitments and sunk costs in UIL Energy's permit portfolio.

The RISC Report was authorised for release by Ian Cockerill, RISC's Head of Geoscience. Based on our enquiries and the information provided to us, we regard RISC and Mr Cockerill to be Independent Specialists as referred to in the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Specialist Reports ('the VALMIN Code'). In our view, it is appropriate for us to consider the work of RISC as they are a

specialist firm capable of completing this valuation work and they understand the purpose of the valuation set out in this Report.

We have made enquiries of RISC in relation to the valuation methodologies adopted in the RISC Report. RISC have confirmed to us (and state in the RISC Report) that the valuation methodologies adopted in the RISC Report are appropriate to adopt for the purposes of determining a value for the UIL Energy permits in the RISC Report.

We note, RISC states the following in the RISC Report:

- ▶ RISC has prepared the Report in accordance with:
 - The VALMIN Code;
 - ASIC RG 111 - Content of Specialist Reports, and ASIC RG 112 - Independence of Specialists; and
 - The guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2007 ('PRMS');
- ▶ RISC is independent with respect to UIL Energy and confirms that there is no conflict of interest with any party involved in the Offers and neither RISC nor any of its personnel involved in the preparation of the RISC Report have any material interest in UIL Energy;
- ▶ Neither RISC nor the authors of the RISC Report have (or have had previously) any material interest in UIL Energy or the mineral properties in which UIL Energy has an interest. No member or employee of RISC has (or has had) any material shareholding in UIL Energy;
- ▶ The assessment of UIL Energy's permits are subject to uncertainty and involve judgments on many variables that cannot be precisely assessed; and
- ▶ The statements and opinions contained in the RISC Report are given in good faith and in the belief that they are not false or misleading.

We confirm that we have been provided with consent by RISC to refer to the valuations in the RISC Report as current valuations in this Report. We have made reasonable enquiry of RISC and are satisfied that the valuations in the RISC Report are suitable for use in this Report. However, we do not take responsibility for the work of RISC.

We have included a summary of RISC's valuation of UIL Energy's permits in Section 10.3 of this Report. We note that this is a summary only and does not substitute for a complete reading of the RISC Report. Our summary does not include all of the information that may be of interest to UIL Energy Shareholders and Preference Shareholders. The RISC Report is attached to this Report as Appendix B. We recommend that UIL Energy Shareholders and Preference Shareholders read the RISC Report in full and in conjunction to this Report and related statements.

10.3 Asset Based Valuation of UIL Energy

10.3.1 RISC's Technical Specialist Valuation of UIL Energy's Permits

Table 10.2 summarises RISC's valuation of UIL Energy Permits.

Table 10.2: RISC Valuation of UIL Energy Permits

Permit	Valuation (\$ Million)			Valuation Method
	Low	Best	High	
EP 447 W ¹	1.0	1.2	6.6	▶ Value from Pancontinental Farm-Out ▶ Farm-In Promotion Factors ▶ Comparable Transaction
EP 447 EP 488 EP 489	3.1	5.6	8.1	▶ Sunk Cost ▶ Farm-In Promotion Factors
EP 495	1.8	4.0	18.3	▶ Sunk Cost/Purchase Price ▶ Farm-In Promotion Factors ▶ Comparable Transactions
EPA 82 EPA 98 EPA 99	0.0	2.0	4.0	▶ Farm-In Promotion Factors
Arithmetic Total	5.9	12.8	37.0	
Probabilistic Total²	6.8		24.0	

Source: The RISC Report

1 EP 447 W has been valued at UIL Energy's 30% interest. All other permits and applications are valued at 100%.

2 Probabilistic totals are based on P90 and P10.

RISC's analysis indicates a valuation of UIL Energy's permits between \$6.8 million and \$24.0 million, with the best-case estimate of \$12.8 million.

We note RISC's valuation range is relatively wide, reflecting the commercial uncertainties associated with UIL Energy's permits at the current time (refer to the RISC Report for further information). Given these uncertainties, we consider a wide valuation range to be appropriate.

With reference to the values in Table 10.2, we note no value has been attributed to UIL Energy's BCG (unconventional gas) assets. The Western Australia moratorium on fracking activities is currently in effect and hinders unconventional exploration and development in the Perth Basin. Due to the moratorium, significant proven conventional resources in the state, and additional costs and complexities of commercialising unconventional resource plays, RISC has stated it has not prescribed any value to UIL Energy's unconventional resource prospects. For more information, refer to Section 4.2 of the RISC Report attached in Appendix B.

UIL Energy shareholders should refer to the full RISC Report in Appendix B for further information on the values calculated for UIL Energy Permits.

10.3.2 Value of UIL Energy's Other Assets and Liabilities

The net value we have adopted for the other assets and liabilities held by UIL Energy is summarised in Table 10.3. In order to determine an appropriate value for UIL Energy's other assets and liabilities, we have relied upon the values set out in the Company's audited statement of financial position as at 30 June 2018 and have made enquiries of the Directors and management of UIL Energy in relation to any material adjustments required to be made to reflect the fair market value of these assets and liabilities for the purposes of this Report.

Based on our queries and the information provided to us by UIL Energy's management, we have adopted a cash balance of approximately \$749,000 as at 31 October 2018. This represents a decrease on the 30 June 2018 cash balance of approximately \$609,000 with the reduction attributed to ongoing operating costs of the Company and transaction costs associated with responding to the Offers. We have been informed by the directors of UIL Energy that there are no other material assets, liabilities, off-balance sheet assets and liabilities or unrecognised liabilities as at the date of this Report that have not been included in Table 10.3.

Table 10.3: Values Adopted for the Other Assets and Liabilities Held by UIL Energy

	(\$'000)
Other Assets	
Cash and Cash Equivalents	748.7 ¹
Trade and Other Receivables	34.0
Other Current Assets	7.5
Plant, Property, and Equipment	1.7
Total Other Assets	791.9
Liabilities	
Trade and Other Payables	234.9
Total Other Liabilities	234.9
Total Other Assets and Liabilities	557.0

Source: UIL Energy FY18 Annual Reports

¹ Cash and cash equivalent of \$1.034 million has been adopted from UIL Energy's 31 October 2018 cash balance, and been adjusted by \$0.285 million for UIL Energy Directors' estimated costs in relation to the Offers. All other values are as at 30 June 2018.

Table 10.3 shows our view of the value of the other assets and liabilities held by UIL Energy is approximately \$0.56 million.

10.3.3 Asset Based Valuation of UIL Energy

The key elements of our ABV methodology can be broadly summarised as:

- ▶ The value of UIL Energy's permits as set out in Section 10.3.1; and
- ▶ The value of UIL Energy's other assets and liabilities as set out in Section 10.3.2.

Our ABV of UIL Energy is set out in Table 10.4 below.

Table 10.4: Enterprise Value of UIL Energy

	Reference	Low (\$ Million)	Best (\$ Million)	High (\$ Million)
UIL Energy Permits	Section 10.31	6.80	12.80	24.00
Other Assets and Liabilities	Section 10.3.2	0.56	0.56	0.56
ABV of UIL Energy		7.36	13.36	24.56

Source: BDOCF analysis

Table 10.4 shows that our enterprise value of UIL Energy is between \$7.36 million to \$24.56 million, with a best estimate value of \$13.36 million.

10.3.4 Value of a UIL Energy Share

The value set out in Table 10.4 above incorporates the value of all UIL Energy equity instruments on issue, including the ordinary shares, the CRPS, the options and the performance rights. To calculate the value of an ordinary share in UIL Energy, it is necessary to adjust the value calculated above for the value of the CRPS, the options and the performance rights.

CRPS

To determine the value of the CRPS on a controlling interest basis, we have:

- ▶ Estimated the value of an ordinary share in UIL Energy (on an iterative basis);
- ▶ Estimated the probability the CRPS will be converted into UIL Energy shares before their redemption date.

The probability of the CRPS being converted is intrinsically linked to the success of the Ocean Hill #2 well. The success of the Ocean Hill #2 well is defined in Section 6.4.2 of this Report.

If the Ocean Hill #2 well is successful before 31 December 2019, the CRPS will be converted and Preference Shareholders will be entitled to receive ordinary shares in UIL Energy. If the Ocean Hill #2 well is not successful before 31 December 2019, the CRPS will be redeemed and the Preference Shareholders will not be entitled to receive any ordinary shares in UIL Energy.

We have made enquiries of UIL Energy's Management and Directors to determine the probability of the Ocean Hill #2 well being successful. Based on the results of our enquiries, we note the following:

- ▶ Management considered there was a 50% chance the Company would be able to either 1) raise the funds required to undertake the necessary 3D seismic and drilling activities or 2) enter into an appropriate farm-out arrangement with another party within the required timeframe at the time the CRPS were issued;
- ▶ At the time the CRPS were issued, Management considered there was a 20% chance the well would be considered a success, based on industry standard success rates (assuming the relevant seismic and drilling activities were able to be completed);
- ▶ If the two probabilities outlined above are multiplied together, the probability of the Ocean Hill #2 well being successful (and the CRPS converting) at the time the CRPS were issued is estimated at 10%;
- ▶ We note that UIL Energy has progressed approvals for the drilling of the well however has not been able to source funding options in relation to the Ocean Hill #2 well. As at the date of this Report, there are only 13 months remaining (out of the 39 months that were originally available) for the Company to declare the Ocean Hill #2 well a success. Adjusting the 10% probability of success at the time the CRPS were issued for the reduced period of time remaining provides an adjusted probability of success of 3.33%.

Having regard to the above, we consider it appropriate to assume the Ocean Hill #2 well has a 3.33% chance of being successful. On this basis, we consider it appropriate to assume the CRPS have a 3.33% chance of being converted before their redemption date.

The Options

To calculate the value of the options, we have adopted a Black Scholes option pricing methodology. In adopting this methodology for each option, we have made the following assumptions:

- ▶ Share price: We have estimated the value of an ordinary share in UIL Energy (on an iterative basis);
- ▶ Exercise price: We have adopted the exercise price of each option, as per their terms;
- ▶ Time to maturity: The time to maturity for each option is calculated as the period of time from the date of this Report to the expiry of each option. We note the 5 cent options expire on 31 December 2019, the 7.5 cent options expire on 31 December 2020, and the 24 cent options expire on 31 December 2018;
- ▶ Volatility: We have considered the historic volatility of UIL Energy and other comparable companies over various time periods prior to the date of this Report. On the basis of our research and analysis, we consider it appropriate to adopt a volatility of 60% for the purpose of this Report;

- ▶ Risk free rate: We have considered both the current value of Australian Government bonds of a comparable maturity to the options as a proxy for the risk free rate. Based on the results of our analysis, we have adopted a risk free rate of 2.00%; and
- ▶ Annual dividend yield: We have assumed a dividend yield of nil for each option as UIL Energy currently pays no dividends and no dividends are expected to be paid in the foreseeable future.

Performance Rights

To determine the value of the performance rights on a controlling interest basis, we have:

- ▶ Estimated the value of an ordinary share in UIL Energy (on an iterative basis);
- ▶ Estimated the probability the performance rights will vest and be converted into UIL Energy shares before their expiry date.

The performance rights are based on non-market criteria and have been issued in relation to UIL Energy's employee incentive and remuneration plan. The non-market criteria include:

- ▶ UIL Energy undertaking and successfully implementing funding arrangements by way of capital raising and farm-out opportunities;
- ▶ UIL Energy identifying and acquiring additional exploration permits; and
- ▶ Employment retention criteria.

In the event of a control interest transaction, all UIL Energy Performance rights automatically vest. As we are valuing UIL Energy on a controlling interest basis, we consider it appropriate to assume 100% of the performance rights will vest.

Ordinary Shares

Table 10.5 below summarises our calculation of the value of UIL Energy's ordinary shares.

Table 10.5: Value of UIL Energy's Ordinary Shares

	Reference	Low	Best	High
ABV of UIL Energy (\$ Million)	Table 10.4	7.36	13.36	24.56
Adjustments for:				
CRPS		0.04	0.06	0.11
Options (\$0.24, expiring on 31 Dec 2018)		0.00	0.00	0.00
Options (\$0.075, expiring on 31 Dec 2020)		0.01	0.03	0.10
Options (\$0.05, expiring on 31 Dec 2019)		0.04	0.22	0.72
Performance Rights		0.37	0.66	1.20
UIL Energy Equity Value Attributable to Ordinary Shareholders (\$ Million)		6.90	12.38	22.43
Number of UIL Energy Ordinary Shares on Issue	Section 6.4.1	228,646,266	228,646,266	228,646,266
Value per UIL Energy Ordinary Share (\$/share)		0.0302	0.0542	0.0981

Source: BDOCF analysis

Table 10.5 sets out our value of UIL Energy's ordinary shares within the range of \$0.0302 to \$0.0981 per share, with a best estimate of \$0.0542 per share. We note that our ABV of UIL Energy provides a value per share for UIL Energy on a controlling interest basis.

10.4 Market Based Valuation of UIL Energy (On a Minority Interest Basis)

Our market based valuation of UIL Energy is set out as follows:

- ▶ Section 10.4.1 sets out information in relation to UIL Energy's recent share trading data;
- ▶ Section 10.4.2 sets out information on the liquidity of UIL Energy's ordinary shares; and
- ▶ Section 10.4.3 sets out our view as to the MBV of UIL Energy.

10.4.1 Analysis of UIL Energy's Share Trading Data

UIL Energy's ordinary shares are listed on the ASX and trade under the ticker 'UIL'. Information relating to the recent share trading data of UIL Energy's ordinary shares along with an analysis of recent announcements made by UIL Energy to the ASX are set out in Section 6.5.1 of this Report.

For the purposes of our MBV, we have assessed the VWAP of UIL Energy shares over 1 week, 1 month, 3 months, 6 months, 9 months and 12 months prior to 22 October 2018, being the date the Offers from Strike Energy were announced.

Table 10.6: UIL Energy’s VWAP for Specified Periods Prior to 22 October

Period before 22 October 2018	VWAP (AUD) ¹
1 Week	\$0.0560
1 Month	\$0.0491
3 Months	\$0.0439
6 Months	\$0.0424
9 Months	\$0.0419
12 Months	\$0.0405

Source: *Capital IQ as at 2 November 2018*

¹ VWAP data may differ from the data set out in the Bidder’s and Target’s Statement due to differences in databases used. For the purposes of this Report, the differences are immaterial

We note the following:

- ▶ The daily VWAP of UIL Energy shares over the last 12 months before 22 October 2018 was lowest on 5 September 2017 at \$0.0240 and highest on 19 October 2018 at \$0.0650; and
- ▶ The VWAP of UIL Energy shares over the periods specified before 22 October 2018 ranges from \$0.0405 to \$0.0560.

Over the period 22 October 2018 to 2 November 2018 (representing the period post the announcement of the Offers), UIL’s ordinary shares have traded at a VWAP of \$0.0504 per share.

10.4.2 Liquidity of UIL Energy Shares

Information on the liquidity of UIL Energy shares is set out in Section 6.5.2 of this Report.

Assuming a weighted average number of 213,549,670 UIL Energy shares on issue, approximately 24.94% of the total shares on issue were traded over the period from 1 October 2017 to 31 October 2018. In our view, this indicates that UIL Energy shares display a relatively low to moderate level of liquidity.

10.4.3 Conclusion on MBV (Minority Basis)

Having regard to the information set out above, in our view it is appropriate to adopt a value of \$0.0400 to \$0.0500 per UIL Energy ordinary share on a minority interest basis for our market based valuation.

10.5 Comparison of ABV to MBV

As stated in Section 10.1 above, it is our view that it is appropriate to adopt the MBV as a cross-check to our ABV. In relation to our ABV and MBV, we note:

- ▶ Our ABV valuation of a UIL Energy share is within the range of \$0.0302 to \$0.0981 per share, with a best estimate of \$0.0542 per share (refer Section 10.3);
- ▶ Our adopted MBV of a UIL Energy share is within the range of \$0.0400 to \$0.0500 per share (refer Section 10.4); and
- ▶ Our MBV value range falls between the low and best estimates adopted for our ABV with our best estimate representing a premium in the range of 8.4% to 35.5% to our MBV valuation range.

In considering a comparison of the MBV and ABV, in our view it is not unusual to expect the MBV value range to be towards the lower end of the ABV valuation range. The reason for this is that share prices from market trading typically do not reflect the market value for control of a company while an ABV is on a controlling interest basis. A controlling interest in a company is generally regarded as being more valuable than that of a minority interest as it may provide the owner with:

- ▶ Control over the operating and financial decisions of the company;
- ▶ The right to set the strategic direction of the company;
- ▶ Control over the buying, selling and use of the company’s assets; and
- ▶ Control over the appointment of staff and setting of financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. Empirical research suggests that control premiums are typically within the range of 20% to 40%, which is broadly consistent with our recent transaction analysis (refer to Appendix A for additional control premium discussion).

Based on our analysis, in our opinion, our cross-check of UIL’s equity value using an MBV methodology broadly supports our valuation of UIL using the ABV methodology.

10.6 Conclusion on the Value of UIL Energy Shares

Having regard to our valuation of UIL Energy shares, in our view, for the purpose of our assessment of the Offers it is appropriate to adopt a value as at the date of this Report in the range of \$0.0302 to \$0.0981 per UIL Energy share, with a best estimate of \$0.0542 per UIL Energy share, on a controlling interest basis.

11.0 Valuation of the Ordinary Share Offer Consideration

This section sets out our valuation of the Ordinary Share Offer consideration as follows:

- ▶ Section 11.1 sets out our view of the most appropriate valuation methodologies to adopt for the purpose of valuing Strike Energy on a minority interest basis;
- ▶ Section 11.2 sets out our MBV of Strike Energy on a minority interest basis;
- ▶ Section 11.3 sets out our conclusion on the value of the Ordinary Share Offer consideration for the purpose of this Report; and
- ▶ Section 11.4 sets out our net asset value of a Strike Energy Ordinary Share.

11.1 Our Valuation Approach

As per the terms of the Ordinary Share Offer, Shareholders who accept the Ordinary Share Offer will receive 0.485 Strike Energy ordinary shares for every one (1) UIL Energy share held prior. In order for us to opine on the Ordinary Share Offer, it is necessary for us to form a view on the value of the Strike Energy shares to be received by Shareholders as consideration under the Ordinary Share Offer. The valuation must also be performed on a minority interest basis, as Shareholders will hold a minority interest in Strike Energy if the Ordinary Share Offer is accepted and becomes unconditional.

To determine an appropriate value for the Strike Energy shares to be received by Shareholders under the Ordinary Share Offer, we have considered the valuation methodologies set out in Section 9 of this Report. Based on our assessment of the available valuation methodologies, it is our view that the MBV methodology is the most appropriate methodology to apply in order to calculate the value of the Strike Energy shares to be received by Shareholders under the Ordinary Share Offer for reasons which include the following:

- ▶ Strike Energy's shares are listed on the ASX and it is possible to observe the market price of recent trades in Strike Energy shares. We note the market price of a company's shares should generally incorporate the influence of all publicly available information relevant to value, including information relating to the future prospects and risks of the company, takeover offers and capital raisings. Where the market is fully informed and sufficiently liquid, the market price of a company's shares can be expected to provide an objective assessment of the fair value of those shares. In our view, there is no reason to believe that Strike Energy shares have been materially mispriced by the market. On this basis, we believe it is reasonable to assume that the market price represents an unbiased estimate of value and is the best guide to valuing Strike Energy shares for the purpose of assessing the Ordinary Share Offer;
- ▶ Strike Energy's shares display a reasonable level of liquidity (refer to Section 7.4.2). We note that in the period from 1 October 2017 to 31 October 2018, approximately 39.44% of the total issued capital in Strike Energy was traded. In the period from the date of the announcement of the Ordinary Share Offer to 2 November 2018, approximately 2.01% of the total issued capital in Strike Energy was traded. In our view, there is a sufficiently liquid and active market for Strike Energy shares;
- ▶ Strike Energy has an obligation under the ASX Listing Rules (subject to certain exemptions) to notify the ASX immediately of any information that it becomes aware of concerning Strike Energy that a reasonable person would expect to have a material effect on the price or value of Strike Energy shares. In our view, Strike Energy appears to be meeting its continuous disclosure obligations in relation to its portfolio of oil and gas assets and its liabilities. We note Strike Energy discloses a significant amount of information in relation to its operations in its financial Reports and ASX announcements. For example, Strike Energy provides quarterly activities Reports which provide the market with up-to-date information relating to the company's performance and the status of its portfolio of oil and gas assets. We note the market price of Strike Energy shares has fluctuated based on price sensitive information announced by Strike Energy;
- ▶ On 31 October 2018, Strike Energy announced that it had successfully completed the placement of 113,043,477 fully paid ordinary shares to international and local institutional and professional investors at 11.5 cents per share to raise gross proceeds of \$13.0 million. Further, Strike Energy announced that it had issued an additional 528,558 fully paid ordinary shares to an advisor on the placement as payment for the advice received, calculated at the same issue price as the share placement. In our view, the price at which these shares have been issued provides relevant information on the value of Strike Energy shares for the purpose of assessing the Ordinary Share Offer;
- ▶ We have no additional information to that already available in the market that would enable us to undertake a fundamental analysis of Strike Energy and make an assessment of value;
- ▶ Share prices from market trading do not generally reflect the market value for control of a company as they are for portfolio holdings. Accordingly, trading in Strike Energy shares is likely to reflect the price of minority interest shareholdings; and
- ▶ In our view, the most relevant measure of value for Shareholders who accept the Ordinary Share Offer is the price that they may be able to sell their Strike Energy shares (received as a result of the Ordinary Share Offer) either immediately or in the short-term. We consider that the trading price of Strike Energy shares is likely to represent a reasonable proxy for the amount that Shareholders could expect to realise by selling the shares in Strike Energy received as consideration after accepting the Ordinary Share Offer. It is important to note that the decision to

hold Strike Energy shares for a longer period of time is a separate investment decision to be made having regard to each shareholders' individual circumstances and view on the long term prospects of Strike Energy. It is not possible to accurately predict future share price movements.

For completeness, we have also set out information in relation to an ABV in Section 11.4 below. We however consider this methodology less relevant having regard to the information available on the MBV and noting that we have no additional information available to that already in the market which would allow us to have an independent specialist either provide a valuation or provide us inputs suitable for a DCF valuation.

In our view, it is not appropriate to apply a CME valuation methodology given Strike Energy does not generate earnings suitable for use in a CME valuation at the current time.

11.2 Market Based Valuation of Strike Energy

To complete our MBV of Strike Energy shares, we consider it appropriate to have regard to:

- ▶ The prices at which Strike Energy shares have traded since the announcement of the Ordinary Share Offer on 22 October 2018. In our view, the prices at which Strike Energy shares have traded post the Ordinary Share Offer being announced will incorporate the market's view of the prospects of the merged group. Over the period 22 October 2018 to 2 November 2018, Strike Energy shares have traded within the range of \$0.1075 to \$0.1200 per share, with a VWAP of \$0.1138 per share. We note the price of Strike Energy share trades post the announcement of the Ordinary Share Offer may incorporate some discount due to impacts of the recent share placement, and the risk of the Ordinary Share Offer not being accepted by UIL Energy shareholders. Notwithstanding, it remains our view that the recent trading prices of Strike Energy shares provides highly relevant information on the price at which shares in the merged group may trade following the implementation of the Ordinary Share Offer;
- ▶ The prices at which Strike Energy shares traded over various periods prior to the announcement of the Share Offer on 22 October 2018, which in our view provides relevant information for UIL Energy shareholders to consider. Table 7.6 in Section 7.5.1 shows that the VWAP of Strike Energy shares prior to the announcement of the Share Offer has been in the range of \$0.1129 per share (6-month period prior to the announcement of the Share Offer) to \$0.1417 per share (1-week period prior to the announcement of the Share Offer); and
- ▶ The price at which Strike Energy issued shares as part of completing its recent placement to international and local institutional and professional investors at discount to recent Strike Energy trading activity. As noted in Section 11.1, Strike Energy announced on 31 October 2018 that it had issued 113,043,477 ordinary shares at 11.5 cents to raise a total of \$13.0 million.

Having regard to the above, we consider it appropriate to adopt a value of \$0.1150 to \$0.1300 per Strike Energy share on a minority interest basis using a MBV methodology. The low end of our range reflects the price of the recent capital raising (and is also broadly in line with the VWAP from the announcement of the Offers to 2 November 2018 of \$0.1138), while the high end of our range reflects the average of the one-month and three-month VWAP prior to announcement of the Offers.

11.3 Conclusion on the Value of the Ordinary Share Offer Consideration

As per the terms of the Ordinary Share Offer, UIL Energy shareholders who accept the Ordinary Share Offer will receive 0.485 Strike Energy shares for every one (1) UIL Energy share held. We have calculated the Ordinary Share Offer consideration by multiplying our Strike Energy valuation range by the scrip ratio of 0.485.

Table 11.1 below summarises our calculation of the Ordinary Share Offer consideration.

Table 11.1: Calculation of the Ordinary Share Offer Consideration

	Low	High
Value per Strike Energy share on a minority interest basis	0.1150	0.1300
x Scrip ratio	0.485	0.485
Value of the Ordinary Share Offer consideration	0.0558	0.0631

Source: BDOCF analysis

With reference to Table 11.1 above, we have calculated the value of the Share Offer consideration to be in the range of \$0.0558 to \$0.0631 per share.

We note that it is uncertain when the Ordinary Share Offer consideration will be received by a UIL Energy shareholder that accepts the Ordinary Share Offer. The value that is ultimately derived by a UIL Energy shareholder selling the Strike Energy shares they obtain under the terms of the Ordinary Share Offer is dependent on the market value of the Strike Energy ordinary shares at the time they are sold. This potential for the Strike Energy ordinary share price to move materially between the date of this Report and the date the Strike Energy shares are received by a UIL Energy shareholder should be considered when forming a view on whether to accept the Ordinary Share Offer.

11.4 Net Asset Value of a Strike Energy Share

The net asset value of Strike Energy shares on a going concern basis is reflected in our valuation in Table 11.2 below.

Table 11.2: Net Asset Value of a Strike Energy Share

	As at 30 Jun 2018 Pro Forma (\$'000)
Current Assets	
Cash and Cash Equivalents ¹	17,973
Trade and Other Receivables	572
Other Financial Assets	206
Total Current Assets	18,873
Non-Current Assets	
Other Financial Assets	31
Exploration and Evaluation Assets ²	84,108
Property, Plant and Equipment	88
Total Non-Current Assets	84,227
Total Assets	103,100
Current Liabilities	
Trade and Other Payables	2,703
Employee Benefits	169
Provisions	53
Borrowings	5,265
Total Current Liabilities	8,190
Non-Current Liabilities	
Employee Benefits	54
Provisions	1,889
Borrowings	2,442
Other Liabilities	12,277
Total Non-Current Liabilities	16,662
Total Liabilities	24,852
Net Assets	78,248
Number of Shares on Issue ³ (Number)	1,237,083,762
NTA Per Share (\$/share)	0.0636

Source: BDOCF analysis

- 1 We have increased the cash balance as at 30 June 2018 of approximately \$2.97 million by \$15.0 million to reflect the share issues reported in Strike Energy's Appendix 3B's announced to the ASX on 13 August 2018 and 31 October 2018. Specifically, we note that on 13 August 2018 28,571,428 shares were issued at 10.5 cents per share to raise approximately \$2.8 million net of costs and on 31 October 2018 113,043,477 shares were issued at 11.5 cents per share to raise approximately \$12.2 million net of costs.
- 2 We have adopted the book value of exploration and evaluation assets as a proxy for their value. We have no additional information available to that already in the market which would allow us to have an independent specialist either provide a valuation or provide us inputs suitable for a DCF valuation.
- 3 In addition to ordinary shares on issue, we note that Strike Energy also has 28 million options on issue with exercise prices ranging from 12 cents to 15 cents and approximately 9.4 million performance rights on issue. We have not subtracted any value for these equity instruments from our ABV which are, in our view, immaterial for the purposes of this Report.

Having regard to Table 11.2 above, we have calculated a value per Strike Energy share of \$0.0636 under the ABV methodology. We reiterate that we consider the ABV methodology less relevant for the purpose of assessing the Offers for reasons including:

- ▶ We have no additional information available to that already in the market which would allow us to have an independent specialist either provide a valuation or provide us inputs suitable for a DCF valuation. If we had this additional information, the ABV set out in Table 11.2 may have been materially different; and
- ▶ In our view, the most relevant measure of value for Shareholders who accept the Ordinary Share Offer is the price that they may be able to sell their Strike Energy shares (received as a result of the Ordinary Share Offer) either immediately or in the short-term. We consider that the MBV is likely to represent a reasonable proxy for the amount that Shareholders could expect to realise by selling the shares in Strike Energy received as consideration after accepting the Ordinary Share Offer.

12.0 Valuation of the Preference Share Offer Consideration

This section sets out our valuation of the Preference Share Offer consideration as follows:

- ▶ Section 12.1 sets out our approach to valuing the Preference Share Offer consideration;
- ▶ Section 12.2 sets out our view on the value of a Strike Energy share on a minority interest basis;
- ▶ Section 12.3 sets out view on the probability of the Strike Energy Milestone Options being exercised; and
- ▶ Section 12.4 sets out our conclusion on the value of the Preference Share Offer consideration for the purpose of this Report.

12.1 Our Valuation Approach

As per the terms of the Preference Share Offer, Preference Shareholders who accept the Preference Share Offer will receive 0.485 Strike Energy Milestone Options for every one (1) UIL Energy convertible preference share held prior. In order for us to opine on the Preference Share Offer, it is necessary for us to form a view on:

- ▶ The value of the Strike Energy shares on a minority interest basis (as Preference Shareholders will hold a minority interest in Strike Energy if the Preference Share Offer is accepted and implemented); and
- ▶ The probability the Strike Energy Milestone Options will be exercised before their expiry date.

To determine an appropriate value for the Strike Energy shares on a minority interest basis, we have referred to our MBV of Strike Energy shares in Section 11 above.

To determine the probability of the Ocean Hill #2 well being successful, we have made enquiries of UIL Energy's Management and Directors. Refer to Section 10.3.4 above for further information on the probability of the Ocean Hill #2 well being successful.

12.2 Value of a Strike Energy Share

We consider it appropriate to adopt a value in the range of \$0.1150 to \$0.1300 per Strike Energy share on a minority interest basis for the purposes of our analysis in this Report.

Our valuation of Strike Energy is set out in Section 11 of this Report.

12.3 Probability of the Strike Energy Milestone Options Being Exercised

The probability of the Strike Energy Milestone Options being exercised is intrinsically linked to the success of the Ocean Hill #2 well. The success of the Ocean Hill #2 well is defined in Section 6.4.2 of this Report.

If the Ocean Hill #2 well is successful before 31 December 2019, the Strike Energy Milestone Options will be exercisable and Preference Shareholders will be entitled to receive ordinary shares in Strike Energy. If the Ocean Hill #2 well is not successful before 31 December 2019, the Strike Energy Milestone Options will expire and Preference Shareholders will not be entitled to receive any ordinary shares in Strike Energy.

We have made enquiries of UIL Energy's Management and Directors to determine the probability of the Ocean Hill #2 well being successful. Based on the results of our enquiries, we consider it appropriate to assume the Ocean Hill #2 well has a 3.33% chance of being successful (refer to Section 10.3.3 in this Report).

We have assumed that the probability of the Strike Energy Milestone Options being exercised will at least be equal to the probability of the CRPS converting. We hold this view on the basis that the terms of the Strike Energy Milestone Options are similar to the terms of the CRPS however Strike Energy's larger market capitalisation and asset base may make it easier for Strike Energy to source the funding required to pursue the development of the Ocean Hill #2 well and determine its success before the Strike Energy Milestone Options expire. For the purposes of this Report, we consider it appropriate to assume the Strike Energy Milestone Options have a 3.33% chance of being exercised before their expiry date.

12.4 Value of the Preference Share Offer Consideration

As per the terms of the Preference Share Offer, Preference Shareholders who accept the Preference Share Offer will receive 0.485 Strike Energy Milestone Options for every one (1) UIL Energy convertible preference share held. We have calculated the Preference Share Offer consideration by multiplying our Strike Energy valuation range by the probability of the Strike Energy Milestone Options being exercised and the option ratio of 0.485.

Table 12.1 below summarises our calculation of the Preference Share Offer consideration.

Table 12.1: Calculation of the Preference Share Offer Consideration

	Low	High
Value per Strike Energy share on a minority interest basis	0.1150	0.1300
x Option ratio	0.485	0.485
x Probability of a Strike Energy Milestone Option being exercised	3.33%	3.33%
Value of the Preference Share Offer consideration	0.0019	0.0021

Source: *BDOCF analysis*

With reference to Table 12.1 above, we have calculated the value of the Preference Share Offer consideration to be in the range of \$0.0019 to \$0.0021 per preference share.

Appendix A: Control Premium Analysis

A controlling interest in a company is usually regarded as being more valuable than a minority interest as it provides the owner with control over the operating and financial decisions of the company, the right to set the strategic direction of the company, control over the buying, selling and use of the company's assets, and control over appointment of staff and setting financial policies.

The increase in value for a controlling interest is often observed where an acquirer launches a takeover bid, or some other mechanism for control, for another company. For the purposes of our research on control premiums, we have defined a controlling interest to be an interest where the acquirer has acquired a shareholding of greater than 50% in the target company.

Generally, control premiums may be impacted by a range of factors including the following:

- ▶ Specific acquirer premium and/or special value that may be applicable to the acquirer;
- ▶ Level of ownership in the target company already held by the acquirer;
- ▶ Market speculation about any impending transactions involving the target and/or the sector that the target belongs to;
- ▶ The presence of competing bids; and
- ▶ General market sentiment and economic factors.

To form our view of an appropriate range of control premium applicable to UIL Energy for the purposes of this Report, we have considered information which includes:

- ▶ Recent independent expert's reports which apply control premiums in the range of 20% to 40%;
- ▶ Various industry and academic research, which suggests that control premiums are typically within the range of 20% to 40%;
- ▶ Our own research on control premiums implied by the trading data of ASX listed companies within the oil and gas industry subject to control transactions, which supported the range of 20% to 40%;
- ▶ Various valuation textbooks; and
- ▶ Industry practice.

Having regard to the information set out above, in our view, it is appropriate to consider control premiums within the range of 20% to 40% for the purposes of assessing the Offer within the context of this Report.

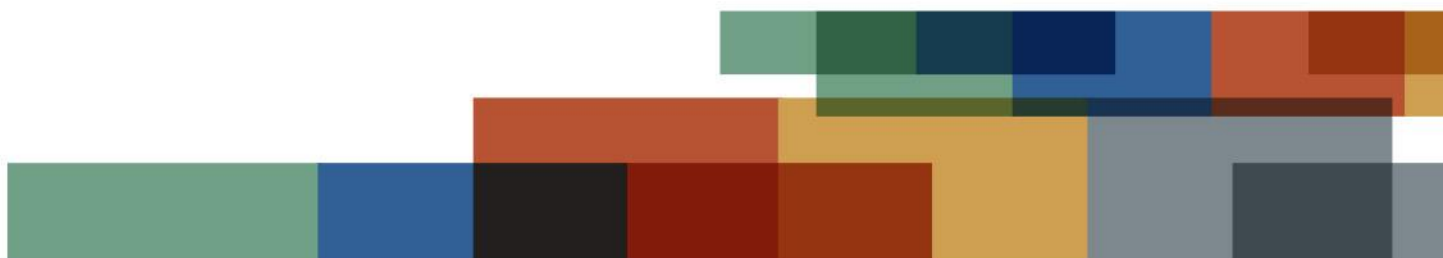
Appendix B: Technical Expert's Report - RISC Report



Independent Technical Specialist's Report on the Assets of UIL

For BDO

6 November 2018



1. Executive Summary

The Directors
 UIL Energy Limited
 Level 9, 1 Eagle Street
 Brisbane, QLD, 4000, Australia

Mr Mark Whittaker, Director
 BDO Corporate Finance (QLD) Ltd
 GPO Box 457
 Brisbane, QLD, 4001, Australia

6 November 2018

Dear Directors and Independent Expert,

Independent Technical Specialist’s Report on the Petroleum Assets of UIL Energy Limited

BDO Corporate Finance (QLD) Ltd (“BDO”) has been appointed by the Directors of UIL Energy Limited (“UIL”) as the Independent Expert in relation to the proposed off-market takeover offer for UIL made by Strike Energy Limited (the “Proposed Transaction”).

To assist BDO in preparing its Independent Expert Report in relation to the Proposed Transaction, BDO has provided instructions to RISC Advisory Pty Ltd (“RISC”) to prepare this document, an Independent Technical Specialist’s Report in relation to the petroleum assets of UIL.

This Independent Technical Specialist’s Report documents our review of the petroleum reserves, resources and associated development schedules, production and cost forecasts. We have reviewed estimates provided by UIL and made such adjustments that in our judgement were necessary to provide a reasonable assessment and reflect current information.

Fair market value of UIL assets

RISC has used a number of methods to assist BDO with their valuation of UIL’s assets. We considered comparable asset sales and farm-out transactions in the current market and existing work program commitments and sunk costs in the UIL portfolio.

RISC’s analysis indicates a value range for UIL’s assets of between approximately A\$6.8 million and A\$24.0 million, Table 1-1. The best-case estimate of the UIL assets as determined by arithmetic addition of the assets is calculated at A\$12.8 million.

Table 1-1: UIL asset valuation

Total portfolio	Valuation Range (A\$ million)		
	Low	Best	High
UIL assets	6.8	12.8	24.0

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2. Introduction

2.1. UIL's oil and gas properties

UIL has interests in four exploration permits and three exploration permit applications in the North Perth Basin, Western Australia, Figure 2-1.

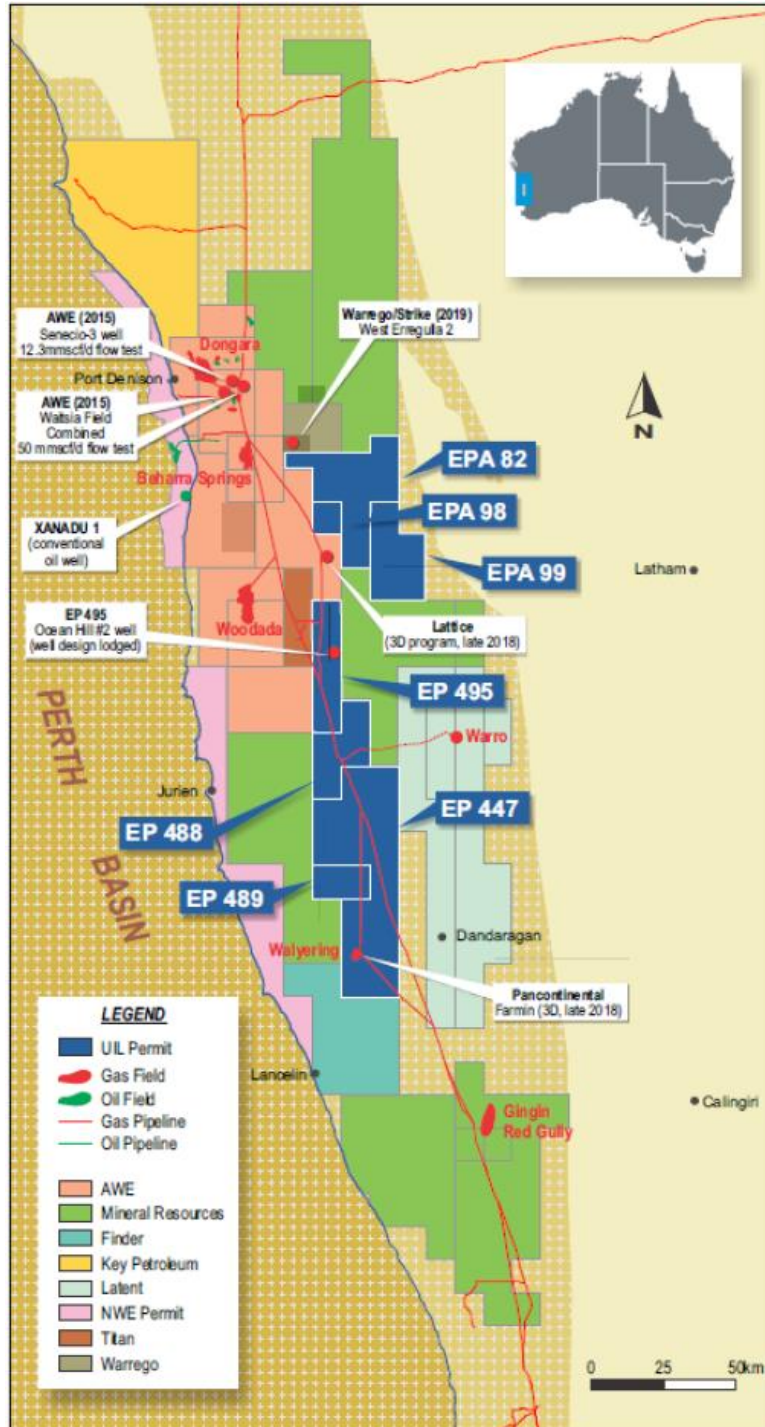


Figure 2-1: Location map showing UIL's Perth Basin tenements (source UIL)

2.2. Terms of reference and basis of assessment

2.2.1. Terms of reference

This assignment has been conducted under the terms of our engagement with BDO dated 17 October 2018. RISC's terms of reference are to conduct a high-level review of the UIL assets in order to provide BDO with a fair market value of the UIL assets.

The project areas highlighted within the BDO terms of reference includes the following permits:

- EP 495 - Ocean Hill, Ocean Hill South and other leads;
- EP 447 / EP 488 / EP 489 - Southern Basin Centred Gas Accumulation;
- EP 447 / EP 488 - Coomallo East Prospect;
- EP 447 - Walyering Prospect;
- EPA82 / EPA98 / EPA99 – Prospective Northern Perth Basin applications.

BDO requested a report on the current fair market value of the assets. In particular, BDO requested that the report state the value that the assets would change hands for as at the date of our report in an open and unrestricted market between a willing buyer and a willing seller in an 'arm's length' transaction, with each party acting knowledgeably, prudently and without compulsion.

BDO requested the following:

- A report with a detailed valuation of the Assets;
- A statement of compliance in the RISC Report that the valuations are prepared in accordance with the PRMS and/or VALMIN code as applicable to the Assets;
- Information on all key assumptions underpinning the valuation;
- A statement in the report that the valuations of the Assets represent RISC's estimate of a fair market value for the Assets including a definition of fair market value; and
- RISC's consent to allow BDO to refer to and rely on the report to assist BDO in determining the current fair market value of the Assets for the purposes of the BDO Independent Expert Report.

2.2.2. Basis of assessment

The data and information used in the preparation of this report were provided by UIL and supplemented by public domain information. RISC has relied upon the information provided and has undertaken the evaluation on the basis of a review and audit of existing interpretations and assessments as supplied making adjustments that in our judgment were necessary.

RISC has reviewed the resources in accordance with the Society of Petroleum Engineers internationally recognised Petroleum Resources Management System (PRMS)¹ and the Australian Code for Public Reporting of Technical Assessments and Valuations of Mineral Assets (VALMIN Code 2015).

Unless otherwise stated, all resources presented in this report are gross (100%) quantities with an effective date of 31 October 2018. Unless otherwise stated, all costs are in real terms with a reference date of 31 October 2018.

¹ SPE/WPC/AAPG/SPEE 2007 Petroleum Resources Management System

2.2.3. Exploration evaluation

A range of oil and gas industry accepted practices can be used to estimate the value of exploration assets and these are discussed below. RISC has collated relevant data and information for the alternative valuation methods as below.

The VALMIN Code defines Value as the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.

2.2.3.1. Comparable transaction metrics

The value of exploration properties can be estimated using recent comparable transactions. Such transactions may provide relevant metrics such as value per unit of reserves, contingent or prospective resources, and price paid per unit area of the permit or % interest. The VALMIN Code advises value must also take into account risk and premium or discount relating to market, strategic or other considerations.

2.2.3.2. Farm-in promotion factors

An estimate of value can be based on an estimation of the share of future costs likely to be borne by a notional farmee under prevailing market conditions. A premium or promotion factor may be paid by the farmee. The promotion factor is defined as the ratio of the proportion of the activity being paid for and the amount of equity being earned.

The nominal permit value is defined as the amount spent by the farmee divided by the interest earned. This represents the perceived value of the permit (i.e. the amount of money a willing investor is willing to spend to progress the opportunity including the future work program). However, it is not the cash value which would exclude the future work program cost. The cash value excluding the future work program costs is referred to as the premium value.

The premium value for the permit is the difference between the nominal value and the cost of the activity. This represents a cash amount that would be paid by the farmee to take on the future work program. The premium value is equivalent to the farmee paying the farmor a cash amount in return for the acquisition of the interest in the permit and is the fair market value.

The premium or promotion factor will be dependent upon the perceived prospectivity of the property, competition and general market conditions.

Farm-in transactions may have several stages. For example, a farmee may acquire an initial interest by committing to a future cost in the first stage of the transaction but has an option to acquire an additional interest or interests in return to committing to funding a further work program or programs.

Farm-in agreements can also include re-imbusement of past costs and bonus payments once certain milestones are achieved, for example declaration of commerciality, or achieving threshold reserves volumes. Depending on their conditionality, such future payments may contribute to value. However, they may need to be adjusted for the time value of money and probability of occurring.

2.2.3.3. Work program

The costs of a future work program may also be used to estimate value. The work program valuation relies on the assumption that unless there is evidence to the contrary the permit is worth what a company will spend on it. This method is relevant for permits in the early stages of exploration and for expenditure which is firmly committed as part of a venture budget or as agreed with the government as a condition of holding the permit. This assumes that the work program and options could be farmed out for a 2:1 promote. There may also need to be an adjustment for risk and the time value of money.

2.2.3.4. Expected monetary value (EMV)

EMV is calculated as the success case NPV times the probability of success less the NPV of failure multiplied by the probability of failure. The EMV method provides a more representative estimate of value in areas with a statistically significant number of mature prospects within proven commercial hydrocarbon provinces where the chance of success and volumes can be assessed with a reasonable degree of predictability. EMVs may require discounting to estimate market value depending upon project maturity and uncertainty.

The EMV valuation can also be used as a relative measure for ranking exploration prospects within a portfolio to make drilling decisions, assessing commercial potential and to demonstrate the commercial attractiveness of a permit, which may influence a buyer or seller.

2.2.3.5. Market factors

Since the latter part of 2014, oil prices have substantially declined from over US\$100/bbl to under US\$30/bbl in January 2016. They have since recovered somewhat and are trading near US\$80/bbl at the time of writing this report (Figure 2-2). UIL's share price has not recovered in line with the recovery in oil price seen since the beginning of 2016.

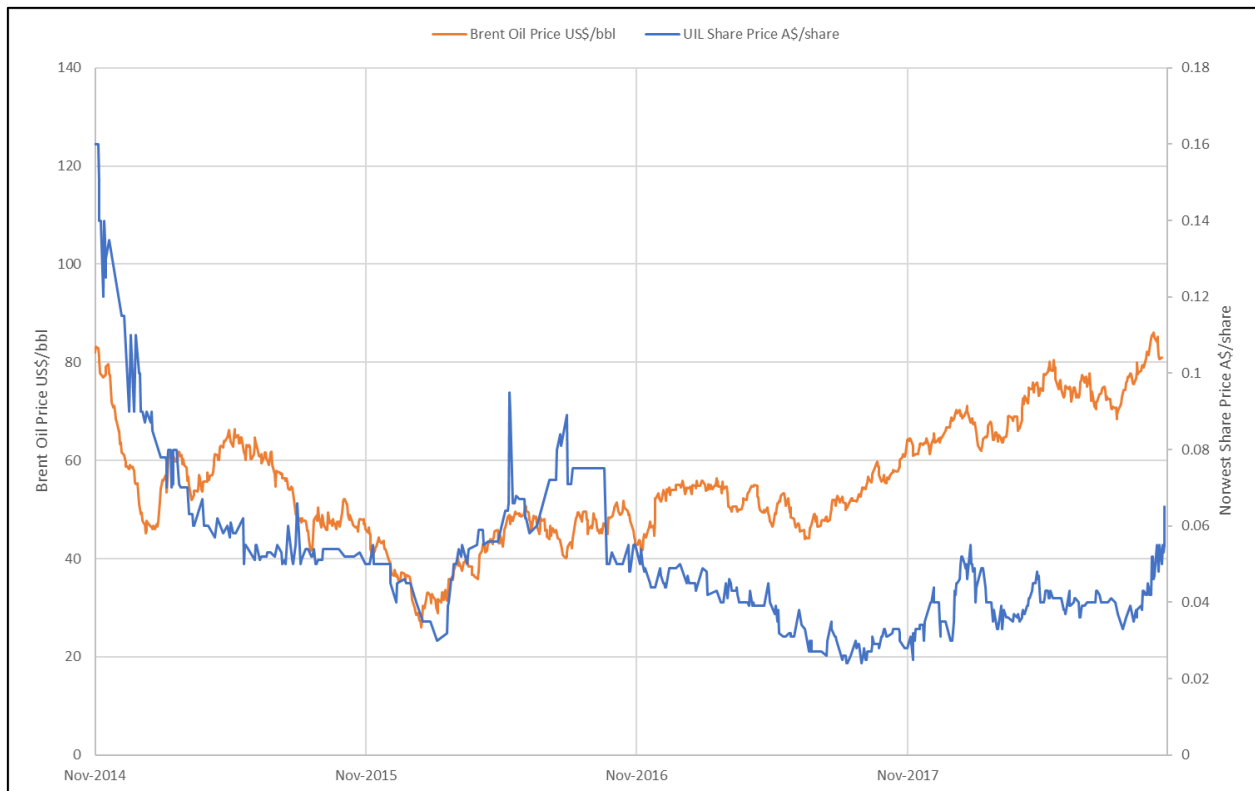


Figure 2-2: Brent oil price and UIL share price 2012-2018

Prior to the mid-2014 oil price decline, interest in exploration valuations was high and farm-in promotes of two or greater were being seen for quality acreage with large investment programs. Since then, there has been a paucity of transactions and anecdotally, RISC has identified that buyers are seeking farm-in promotes at or just above ground floor level.

In response to the market factors, our experience has been that oil and gas companies have slashed their exploration budgets and the value of exploration companies has declined significantly, although there are some signs that with the stabilisation and recovery in prices, exploration activity is beginning to improve.

3. Geological setting

3.1. Perth Basin

The following summary of the regional geology of the Perth Basin is referenced from Geoscience Australia's website² with additional commentary specific to UIL's assets.

The Perth Basin is a north to north-northwest trending, onshore and offshore sedimentary basin extending about 1,300 km along the southwestern margin of the Australian continent. This is a large (172,300 km²), structurally complex basin that formed during the separation of Australia and Greater India in the Permian to Early Cretaceous. It includes a significant onshore component and extends offshore to the edge of continental crust in water depths of up to 4,500 m.

The structural architecture of the Perth Basin is shown in Figure 3-1 and is the product of rifting during the Permian, Late Triassic to Early Jurassic and Middle Jurassic to Early Cretaceous, superimposed over pre-existing basement terrains. Extension during the Permian produced a series of deep (up to 15 km), north-south trending rift basins (Bunbury Trough and Dandaragan Trough) along the western margin of the Yilgarn Craton. The Abrolhos Sub-basin represents a northwestern branch of the Permian rift system formed along the southwestern margin of the Northampton Complex, which is separated from the Dandaragan Trough by an intra-basin high represented by the Beagle Ridge, Dongara Terrace and Greenough Shelf. Note that the location of the Dandaragan Trough is highlighted in Figure 3-1 as it is geographically significant to UIL's tenements, shown in the inset map. The Dongara and Woodada gas fields are shown on both maps for geographical context.

The Houtman Sub-basin is a major depocentre for Triassic and Jurassic sedimentary rocks that formed as a westward thickening sag basin across a hinge zone during the Middle Triassic to Middle Jurassic, and it was extensively faulted during Late Jurassic to Early Cretaceous rifting. The Vlaming Sub-basin is the major Middle Jurassic to Early Cretaceous rift basin in the Perth Basin and is characterised along its northern extent by a very large and deep half graben that dips to the west. The footwall block of this half graben consists of a series of shallow tilted fault blocks containing mainly Permian and older strata from the Edward's Island Block.

Breakup during the Early Cretaceous (Valanginian) was associated with widespread inversion, erosion, strike-slip tectonics and volcanism, which significantly modified the structural architecture of the Perth Basin.

² <http://www.ga.gov.au/scientific-topics/energy/province-sedimentary-basin-geology/petroleum/offshore-southwest-australia/perth-basin>

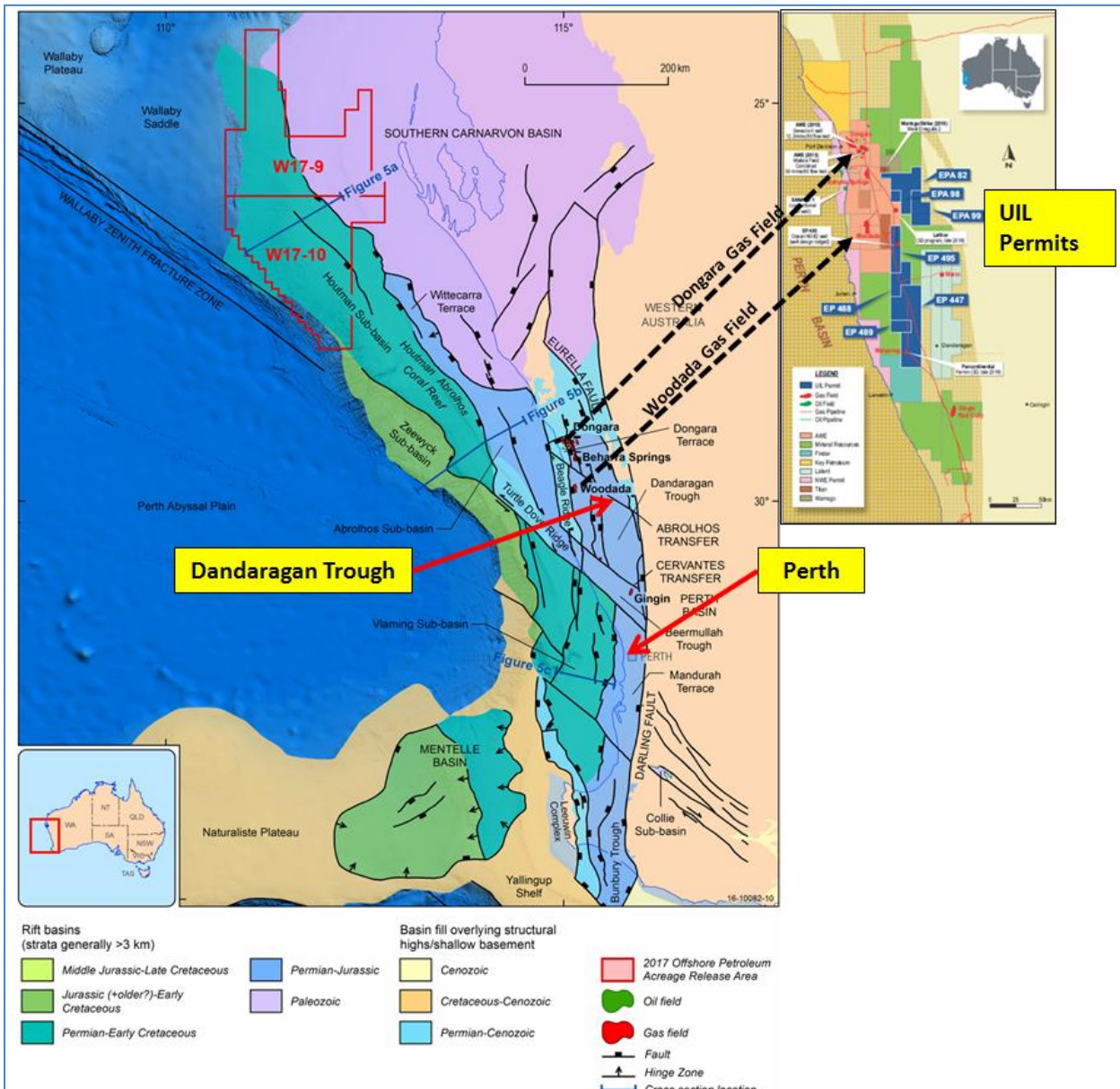


Figure 3-1: Regional setting and structural elements map for the Perth Basin (modified from Geoscience Australia)

The stratigraphy and petroleum system elements of the Perth Basin developed during the tectonic evolution of the basin and vary significantly from north to south. Refer to Figure 3-2 which is a stratigraphic column applicable for the North Perth Basin and relevant to UIL’s petroleum permits.

Initial rifting established a series of Permian to Early Triassic depocentres for fluvial and marine clastics with minor carbonates and coals in the north, while in the south fluvial clastics and coals dominated. These Permian and Early Triassic-age rift-sag deposits are associated with the major petroleum system in the North Perth Basin, particularly the Kockatea Shale which forms an important oil source rock and regional seal to underlying reservoirs and is a prospective shale gas target in UIL’s northern tenements.

A second phase of rifting in the Late Triassic and Early Jurassic was associated with widespread fluvial and deltaic deposits that are particularly relevant to the prospectivity of UIL’s southern tenements in the North Perth Basin. These include the Eneabba Formation and a thick succession of clastics and coals of the early

to mid-Jurassic Cattamarra Coal Measures (CCM). The Eneabba Formation comprises fine to coarse grained sandstones (porosity is typically 3-18%) interbedded with multicolour siltstones and shales. The CCM sequence also consists of fine to coarse grained sandstone but these are interbedded with carbonaceous dark carbonaceous mudstone/siltstone and coal seams. The sandstones typically contain glauconite and exhibit a higher gamma response than the underlying Eneabba Formation. Petroleum wells have intersected coal seams up to 11 m thick. The gross thickness of the CCM varies from 500 m to over 2,000 m towards the basin centre. Within the Warro Field the CCM is at an overburden depth of approximately ~ 4000 m and fracture stimulation of Warro 3 resulted in a gas flow of up to 2.3 MMscf/d. Sub-commercial gas flows have been achieved in the Walyering Field, with evidence of pressure depletion. The organic rich mudstones and coals make it an effective source rock in the Dandaragan Trough and it is an unconventional reservoir target within UIL's tenements and a conceptual basin centred gas play (BCG)³ at overburden depths greater than 4,000 m.

The CCM is overlain by Middle Jurassic marine shales of the Cadda Formation which in turn is overlain by the Yarragadee Formation, Figure 3-2. The Yarragadee Formation is widely deposited within the Dandaragan Trough and is a massive sandstone dominated lithofacies interbedded with siltstone and minor coal beds toward the base of the unit³. It was deposited in a predominantly fluvial environment with siltstone and mudstone beds representing preservation of overbank and lacustrine sediments. Gross thickness varies from 2,000 m to over 6,000 m in the Dandaragan Trough. A gas flow has been recorded from the Warro Field in EP407 where porosity and permeability at 4,000 m overburden depth are low (less than 10% and less than 0.5 mD (ambient) respectively). The Yarragadee Formation represents possible upside to the conceptual BCG play.

The exploration status of the Perth Basin varies from sub-mature in the northern onshore area and immature to frontier in most offshore areas. Initial exploration began in the late 1940s with an onshore field survey and evaluation of water drilling commissioned by Ampol and Richfield Oil companies and gravity surveys by the Bureau of Mineral Resources.

The onshore portion of the basin has had approximately 130 exploration wells drilled. Approximately 70 wells have been drilled in the vicinity of UIL's permits and these provide a reasonable database for reservoir characterisation and resource estimation.

Offshore exploration began in 1965. The most significant offshore discovery to date is the Cliff Head oil field located on the Beagle Ridge just east of the Abrolhos Sub-basin. Oil is produced from Permian reservoirs that are sealed by the Kockatea Shale.

³ UIL Energy Perth Basin Tight Gas Play, UIL, June 2013 (unpublished)

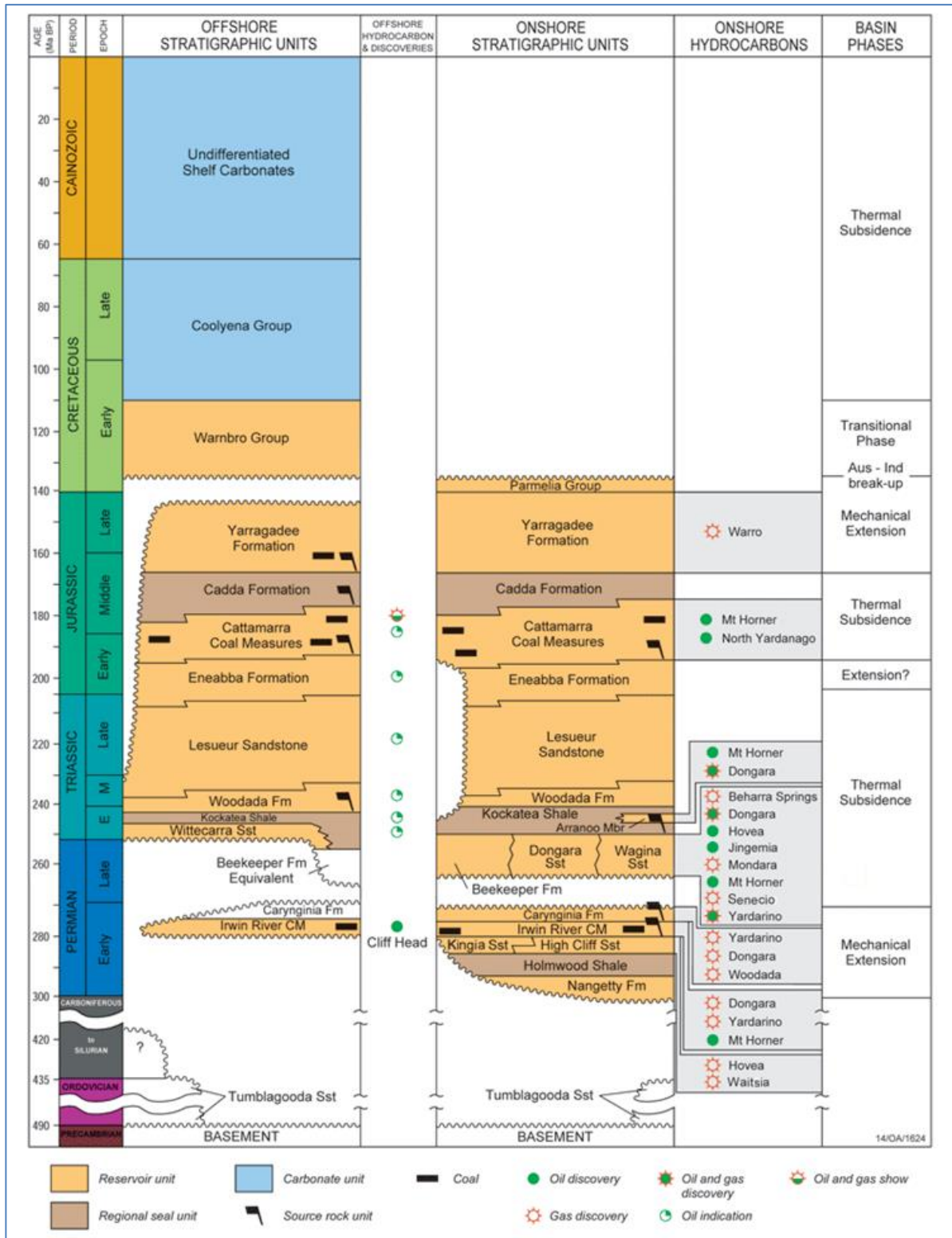


Figure 3-2: North Perth Basin stratigraphic column

4. Assets

4.1. Introduction

UIL retains interests in four Western Australian North Perth Basin exploration permits and three exploration permit applications. UIL's working interest for each permit is provided in Table 4-1. The location of the UIL assets is provided in Figure 4-1.

Table 4-1: UIL permit interests

Permit	UIL Working Interest (%)	Operator	Expiry Date	Area km ²	Permit Type
EP 447	100	UIL	22/08/2021	814.7	Exploration Permit
EP 447 W ⁽¹⁾	30	Pancontinental		295.3	
EP 488	100	UIL	27/05/2023	296.4	Exploration Permit
EP 489	100	UIL	27/05/2023	147.7	Exploration Permit
EP 495	100	UIL	15/05/2024	297.1	Exploration Permit
EPA82	100	UIL	Under application	559.4	Exploration Permit Application
EPA98	100	UIL	Under application	74.7	Exploration Permit Application
EPA99	100	UIL	Under application	372.3	Exploration Permit Application

Note: 1) Assumes Pancontinental successfully completes its farm-in on EP 447 W

EPA82, EPA98 and EPA99 are pending Native Title determination. Once the Agreements are finalised and the permits are granted the Permits will have an initial six-year term with an additional two, five-year terms available.

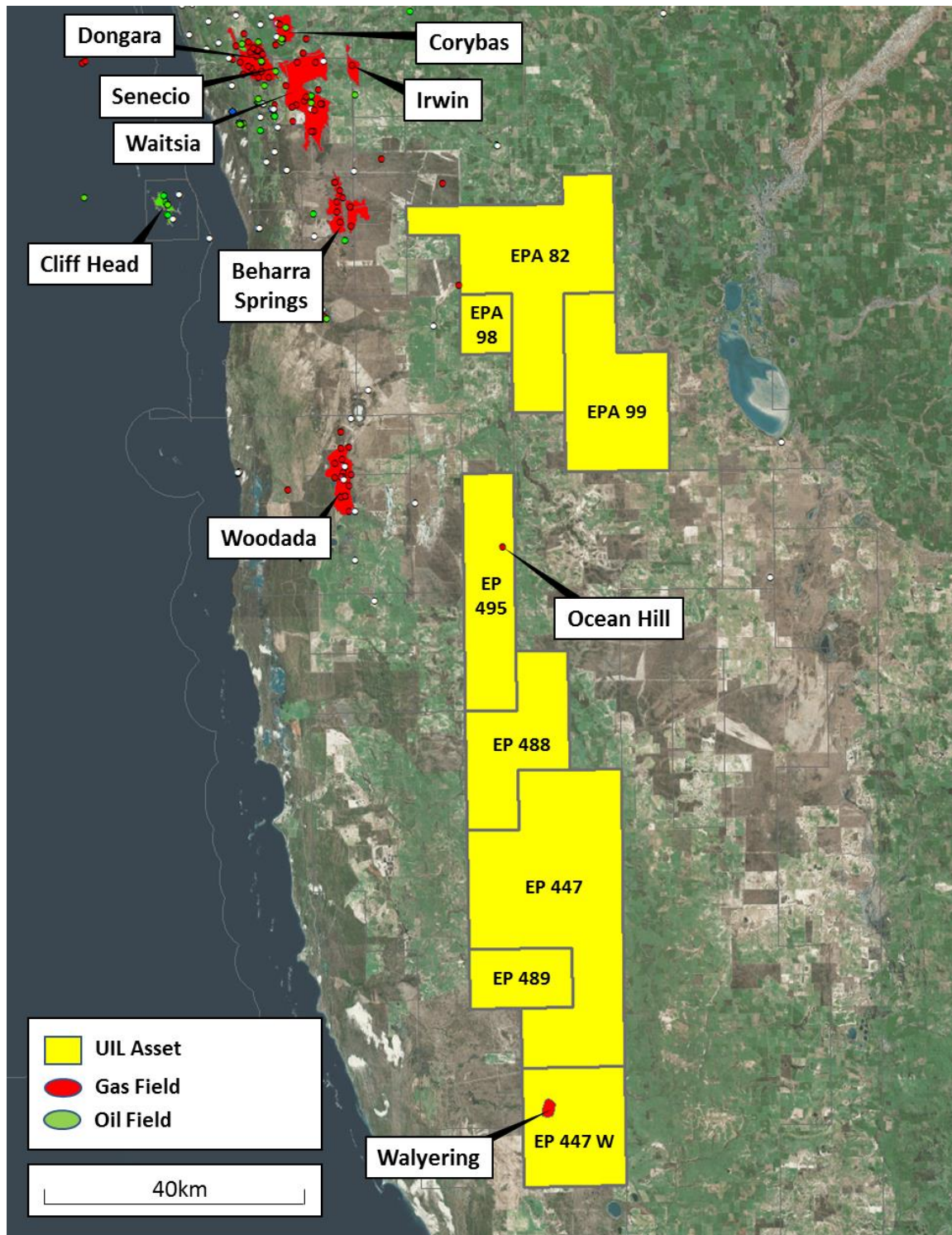


Figure 4-1: Location of UIL assets

UIL has grouped the assets by geographical location into southern tenements (EP447, EP488, EP489, EP495) and northern tenements (EPA82, EPA98, EPA99).

4.2. Southern tenements (EP447, EP488, EP489, EP495)

UIL’s southern tenements are situated within or adjacent to the Dandaragan Trough, and south east of the Woodada gas field, Figure 4-1. An east-west geological section across the North Perth Basin, relevant to the southern tenements is shown in Figure 4-2. UIL has used seismic and regional well data to identify within its permit areas conventional and unconventional reservoir targets, including a large potential basin centred gas play in the Cattamarra Coal Measures (CCM)/Cadda/Yarragadee.

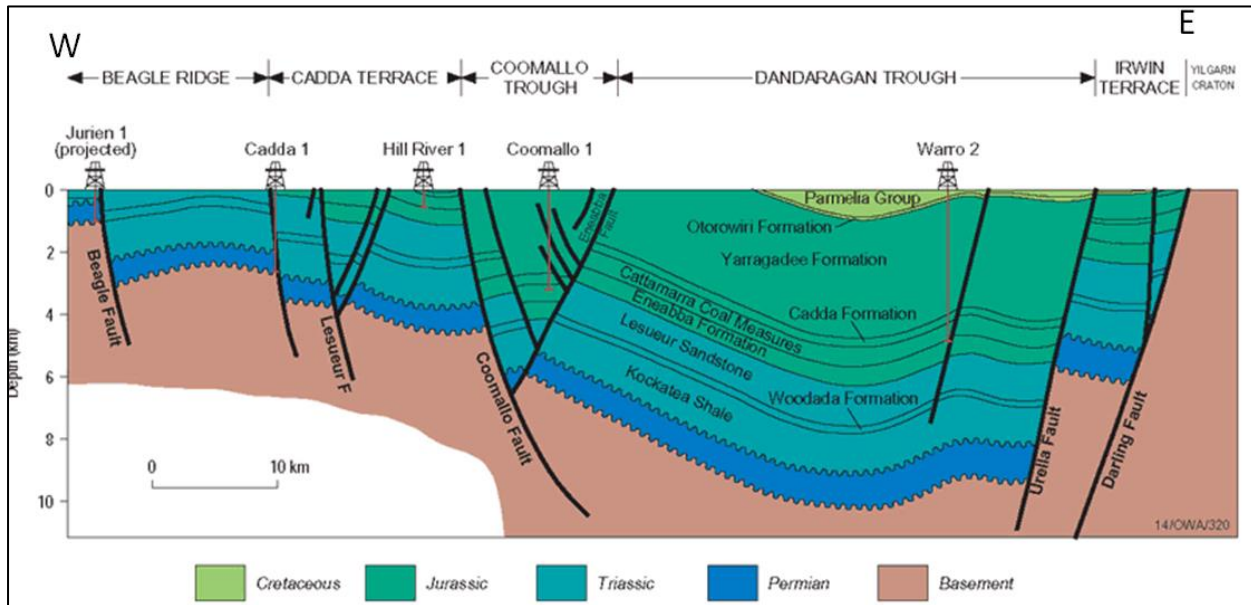


Figure 4-2: North Perth Basin regional geological section relevant to UIL’s southern tenements (source McDaniel & Assoc⁴)

4.2.1. Work programs and commitments

The work program and commitments for the southern tenements are presented in Table 4-2, Table 4-3, Table 4-4 and Table 4-5.

Table 4-2: EP 447 and EP 447 W work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	23/08/2013	22/08/2014	Geotechnical studies	0.25
2	23/08/2014	22/08/2019	130 km 2D seismic, seismic reprocessing	1.98
3	23/08/2015	22/08/2019	30km ² 3D seismic	1.00
4	23/08/2019	22/08/2020	Geotechnical studies	0.25
5	23/08/2020	22/08/2021	1 well	5.00

EP447 is a renewal program with all of the work program being contingent (no firm work program commitments)

⁴ Independent Geologist’s Report as of June 30, 2014. Prepared for UIL Energy Ltd by McDaniel & Associates Consultants, July 2014.

Table 4-3: EP 488 work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	28/05/2014	27/05/2015	G&G studies	0.176
2	28/05/2015	27/05/2019	70 km 2D seismic, 2D seismic reprocessing	1.10
3	28/05/2019	27/05/2020	1 well	5.00
4	28/05/2020	27/05/2021	35km ² 3D seismic	1.00
5	28/05/2021	27/05/2022	1 well	5.00
6	28/05/2022	27/05/2023	Geotechnical studies	0.50
Years 1 and 2 of the of the work program are a firm commitment. Years 3-6 are contingent.				

Table 4-4: EP 489 work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	28/05/2014	27/05/2015	G&G studies	0.17
2	28/05/2015	27/05/2019	40 km 2D seismic, 2D seismic reprocessing	0.63
3	28/05/2019	27/05/2020	Geotechnical studies	0.15
4	28/05/2020	27/05/2021	1 well	5.00
5	28/05/2021	27/05/2022	40 km 2D seismic	0.40
6	28/05/2022	27/05/2023	Geotechnical studies	0.15
Years 1 and 2 of the of the work program are a firm commitment. Years 3-6 are contingent.				

Table 4-5: EP 495 work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	16/05/2016	15/05/2019	250 ² km 3D seismic	5.00
2	16/05/2019	15/05/2020	1 well	8.00
3	16/05/2020	15/05/2021	Geotechnical studies	0.10
4	16/05/2021	15/05/2022	1 well	8.00
5	16/05/2022	15/05/2023	Geotechnical studies	0.10
6	16/05/2023	15/05/2024	1 well	8.00
Years 1 and 2 of the of the work program are a firm commitment. Years 3-6 are contingent.				

4.2.2. Seismic data

UIL's seismic dataset consists of 212 km of seismic acquired by UIL early in 2013 in the Badgingarra 2D Seismic Survey and over 4,000 km of older vintage seismic data acquired by various operators starting with West Australian Petroleum in the 1960s, Figure 4-3. The Badgingarra 2D Seismic Survey was specifically designed to evaluate the potential for unconventional plays targeting the Early Jurassic Cattamarra Coal Measures (CCM) and the Triassic Kockatea Shale.

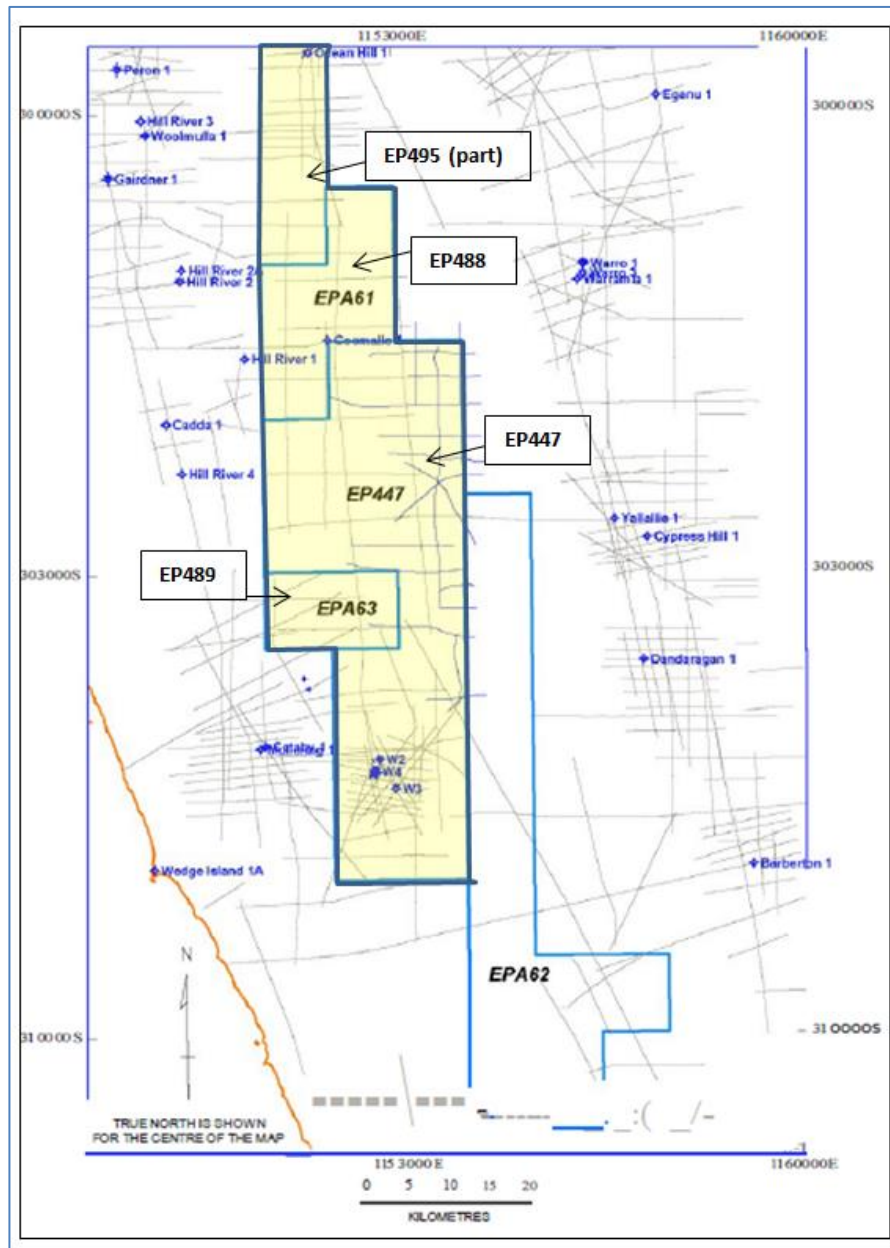


Figure 4-3: Seismic line base map

Saitta Petroleum Consultants was engaged by UIL in 2012 to interpret the seismic dataset its focus being the evaluation of conventional plays⁵. The quality of the seismic data is variable (very poor to good) as

⁵ Seismic Interpretation Report. Permit EP447 & EPA-61, EPA-62 & EP-63 Northern Perth Basin for UIL Energy Ltd, Saitta Petroleum Consultants Pty Ltd, September 2013.

shown by the example interpreted east-west composite seismic line across four of the mapped conventional prospects, Figure 4-4. Data quality is generally related to the complexity of the geology. Saitta reports that the interpretation of the mixed vintage seismic dataset was challenging as it includes variable acquisition parameters, variable surface conditions, inadequacy of near surface statics for correction of the near surface weathered layers which exceed 100 m in EP447 and variable processing sequences applied over the years. As a result, mis-ties are common not only in lines of different vintages but also in lines of same vintage. In the Badgingarra 2D survey there was an additional challenge due to the strong easterly dips which when migrated to place the east-west section in its proper subsurface location results in the mis-tie of the north-south tie lines (strike Lines) with the east-west lines ranging from 32 to 120 milliseconds. This is because it is not possible to correctly migrate strike lines in a 2D data set where strong dips are present.

Depth conversion was carried out using a linear regression from a cross plot of two-way time and average well velocities. The depth structure map for shallowest interpreted horizon, the top Cattamarra CM is shown in Figure 4-5. Saitta places reasonable confidence in the interpretation as the event is likely to have been caused either by a thin limestone section near the base of the Cadda Formation or a coal section near the top of the CCM. The horizon was used to guide the interpretation of the deeper horizons.

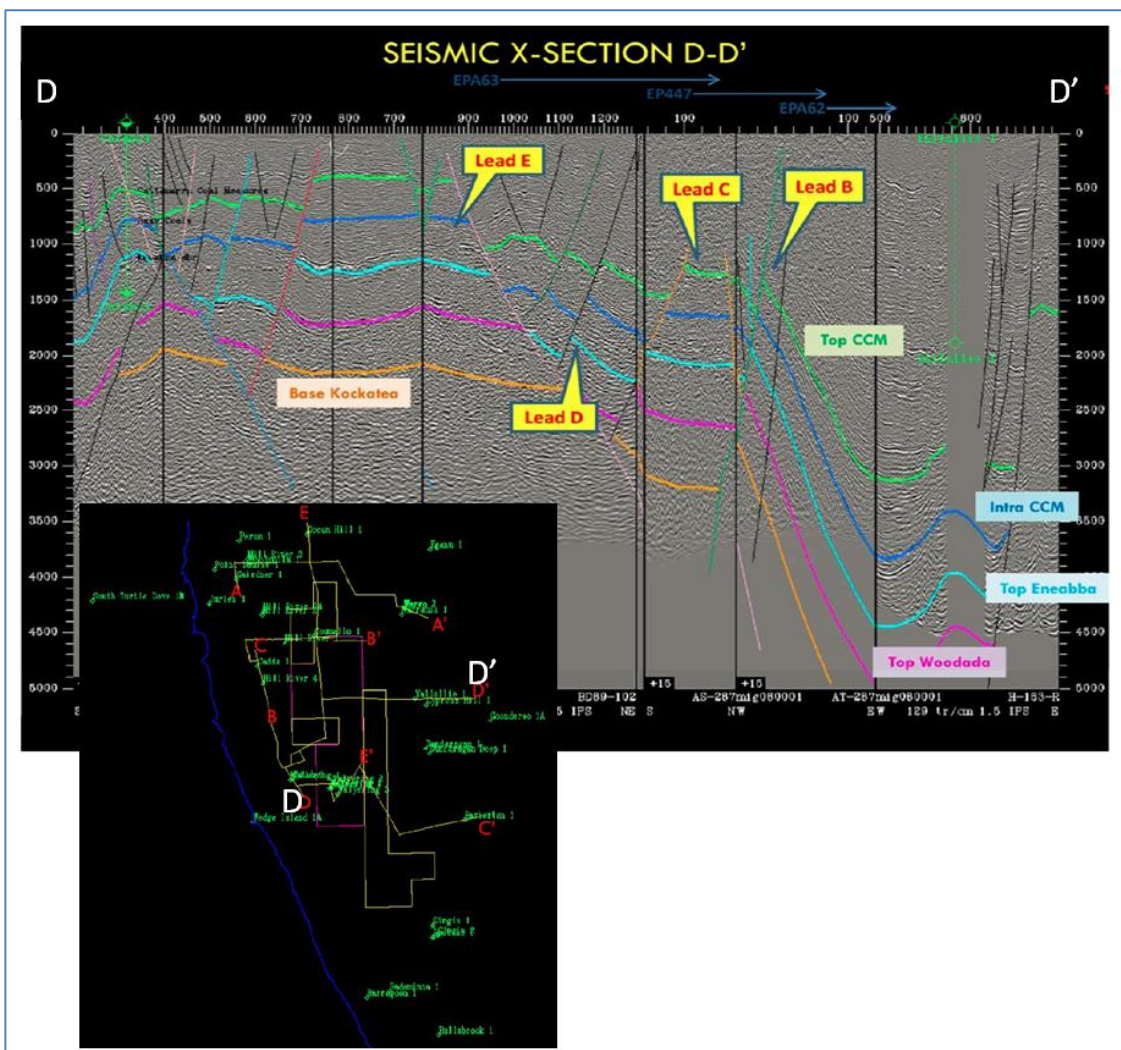


Figure 4-4: Composite seismic section showing quality of data, interpreted horizons and four prospects (Saitta, 2013)

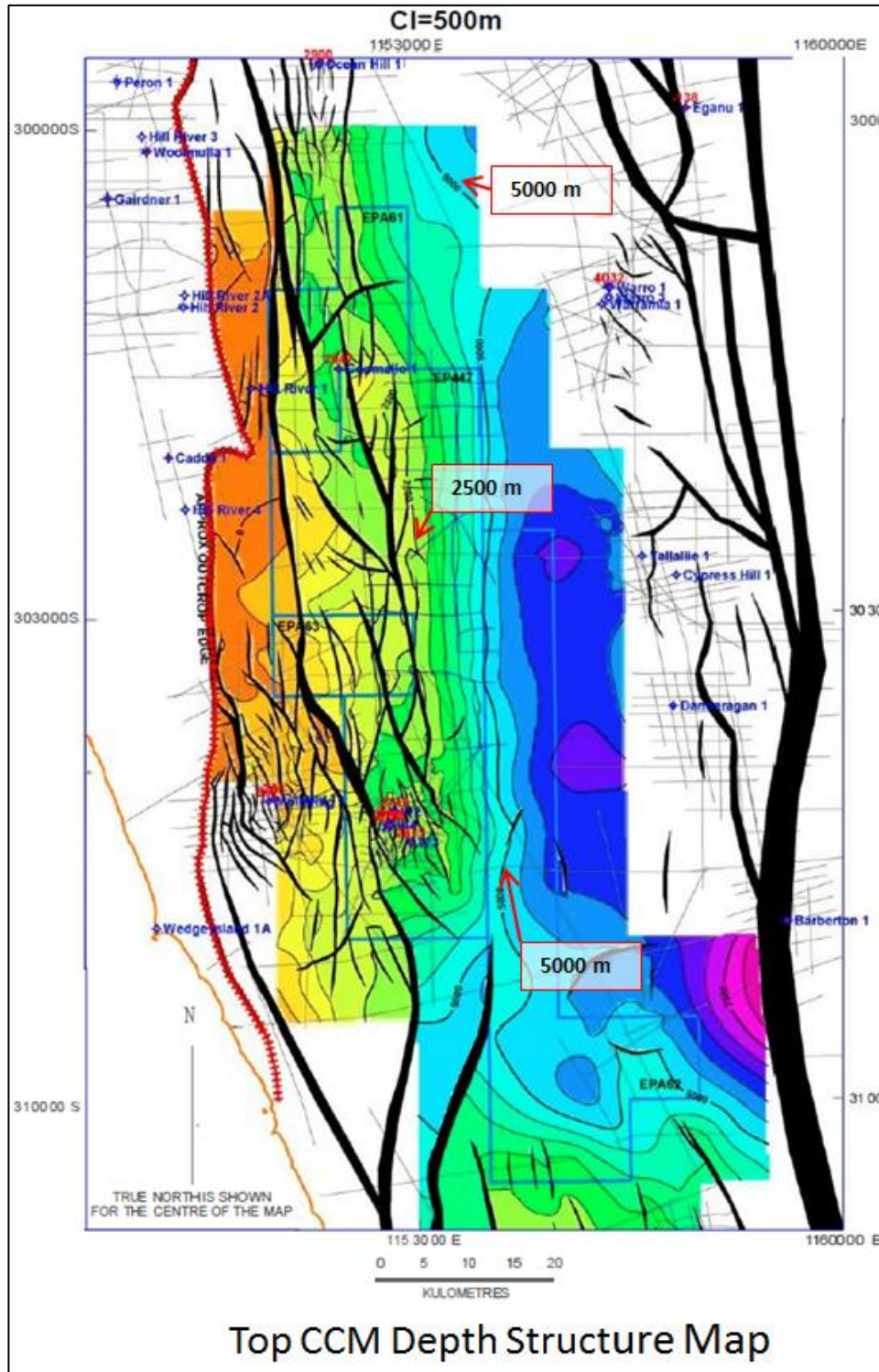


Figure 4-5: Top Cattamarra Coal Measures depth structure map (Saitta, 2013)

RISC has not independently verified Saitta’s work, however we acknowledge the complexity of task given the structural complexity and relatively poor quality of the seismic dataset.

4.2.2.1. Seismic reprocessing

In July 2017 UIL presented the results from updated mapping in EP495 that was based on interpretation of reprocessed seismic by Searcher Seismic⁶. The quality of the reprocessed seismic is reported to be better than the original data that was used by Saitta in their interpretation project. Comparative seismic sections shown in various presentations provided to RISC support this view.

A new set of leads has been defined from the reprocessed data that includes seven leads in EP495 and two in the northern part of EP488. Although data quality may have generally improved, data density is low, and structural uncertainty remains significant. It is RISC's opinion that a 3D seismic survey with optimum acquisition and processing parameters would significantly reduce the mapping uncertainty currently associated with these leads.

4.2.3. EP 495 - Ocean Hill field

UIL has 100% working interest in EP495. The permit contains the Ocean Hill gas discovery and a number of conventional leads.

Ocean Hill-1 was drilled by SAGASCO Resources in 1991 and reached a total depth of 3,838 mKB, Figure 4-6. The well tested a simple four-way dip closed anticline and the main objectives were the Early Jurassic Cadda Formation and Cattamarra Coal Measures. Significant gas shows were encountered through the Early Jurassic section from 3,077 m to total depth. Log analysis calculated over 100 m of net gas pay within multiple stacked sands. Open hole DST-2 over the interval 3,063 – 3,130 mKB in the Cadda Formation flowed gas at a rate of 0.7 MMscf/d. Production tests six months later flowed at uncommercial rates and the well was plugged and abandoned.

The testing was deemed inconclusive as a result of packer failures and questionable pressure readings from incomplete build-ups in the low permeability formation.

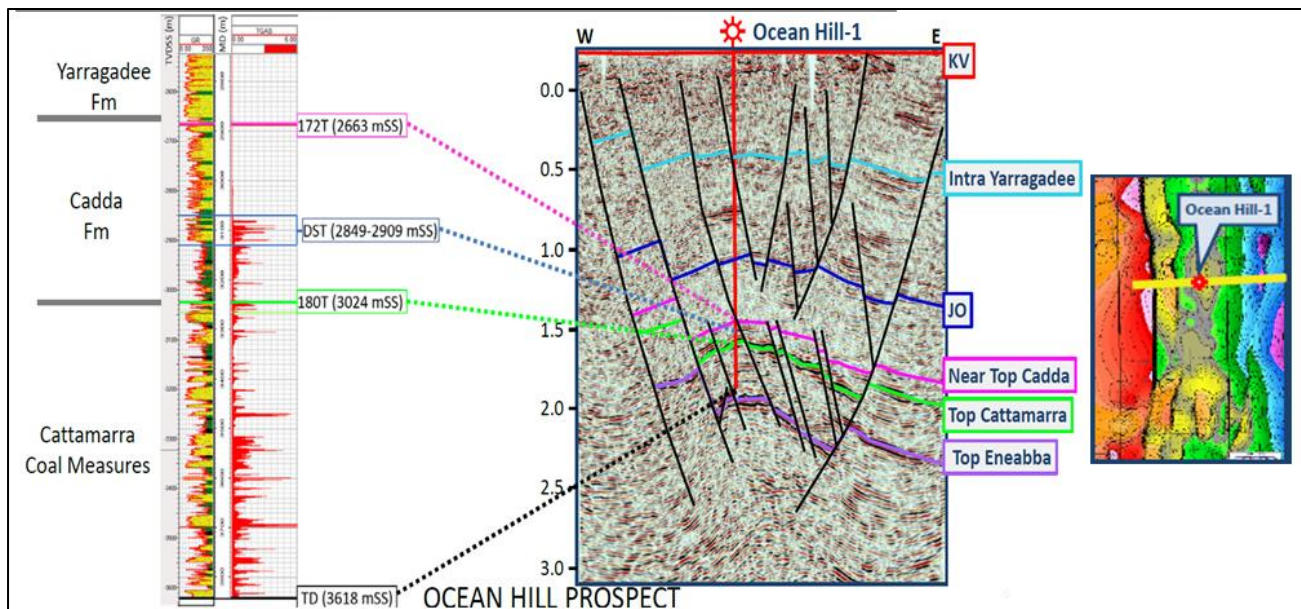


Figure 4-6: Ocean Hill prospect seismic line B89-450 (source UIL)

⁶ EPA495: Updated Mapping, Onshore Perth Basin Western Australia, July 2017

The structure was remapped using the reprocessed seismic dataset and depth converted using average well velocities from the Ocean Hill-1 well.

4.2.3.1. Ocean Hill field resources estimate

UIL has estimated contingent resources in the Ocean Hill gas field using reservoir parameters from the Ocean Hill 1 petrophysical interpretation and gross rock volumes estimated from the seismic derived depth structure maps. A probabilistic methodology was used. The input parameter values used in the estimates are shown in Table 4-6. The resulting gas in-place (OGIP) and contingent resource estimates are shown in Table 4-7.

Table 4-6: Reservoir parameter values used in Ocean Hill volumetric estimation (source UIL)

Ocean Hill		Top Interval	Net Pay	Avg Por	Sw avg	FVF	Condensate	Area				Net Rock Volume			
Formation	Zone	Depth (mMD)	(m)	(%)	(%)	(scf/cf)	Yield bbl/MMscf	P90 (km2)	P50 (km2)	P10 (km2)	Mean (km2)	P90 (km2m)	P50 (km2m)	P10 (km2m)	Mean (km2m)
Cadda	Upper	2873	31.4	12.5	39.4	228	2.5	3.2	8.3	21.7	10.6	99.7	261.6	690.1	334.4
Cadda	Middle	3070	18.9	11.7	33.5	230	6.0	3.7	9.5	24.3	11.6	69.9	179.2	459.3	225.9
Cadda	Lower	3130	11.5	9.8	36.0	232	2.0	3.7	9.5	24.3	11.6	42.4	109.0	281.9	225.9
Cattamarra	Upper	3286	44.1	9.8	35.5	235	2.5	3.7	9.5	24.3	11.6	162.8	418.2	1075.1	527.6
Cattamarra	Middle	3672	2.0	11.0	42.2	242	2.0	1.6	6.0	22.8	9.5	2.4	11.7	56.7	22.0
Cattamarra	Lower	3712	6.4	10.1	35.5	244	2.0	1.6	6.0	22.8	9.5	10.1	38.7	147.1	61.2

Table 4-7: Ocean Hill gas in-place and contingent resource estimates (source UIL)

Formation	Zone	OGIP				Recovery Factor				Gross Separator Gas				Gross Condensate			
		P90 MMcf	P50 MMcf	P10 MMcf	Mean MMcf	P90 %	P50 %	P10 %	Mean %	P90 MMcf	P50 MMcf	P10 MMcf	Mean MMcf	P90 Mmbo	P50 Mmbo	P10 Mmbo	Mean Mmbo
Cadda	Upper	60.6	159.5	420.0	204.0	55	60	65	60	36.1	95.4	252.0	122.0	0.15	0.39	1.05	0.50
Cadda	Middle	44.2	113.2	290.3	142.7	55	60	65	60	26.3	67.7	174.2	85.5	0.26	0.67	1.74	0.85
Cadda	Lower	21.8	56.0	144.1	70.7	55	60	65	60	12.0	33.5	86.5	42.4	0.04	0.11	0.29	0.14
Cattamarra	Upper	85.6	217.6	553.3	273.2	55	60	65	60	51.0	130.1	332.0	163.6	0.21	0.53	1.39	0.68
Cattamarra	Middle	1.3	6.3	30.7	11.9	55	60	65	60	0.8	3.8	18.4	7.1	0.00	0.02	0.08	0.03
Cattamarra	Lower	5.7	2.7	82.6	31.3	55	60	65	60	3.4	13.0	49.5	20.6	0.01	0.04	0.13	0.07
Arithmetic sum		219.2	555.3	1521	733.8					129.6	343.5	912.6	441.2	0.67	1.76	4.68	2.27

In 2013, DeGolyer and MacNaughton (“D&M”)⁷ certified 360 Bcf and 1.191 MMbbl 2C contingent resources for the Ocean Hill structure based on the structural definition interpreted on the original seismic dataset (prior to reprocessing), Figure 4-7.

⁷ Report as of June 30, 2013 on Contingent Resources in the STP-EPA-0090 License Block of the Perth Basin, Western Australia with interest licensed by Green Rock Energy Limited, DeGolyer and MaNaughton, September 2013

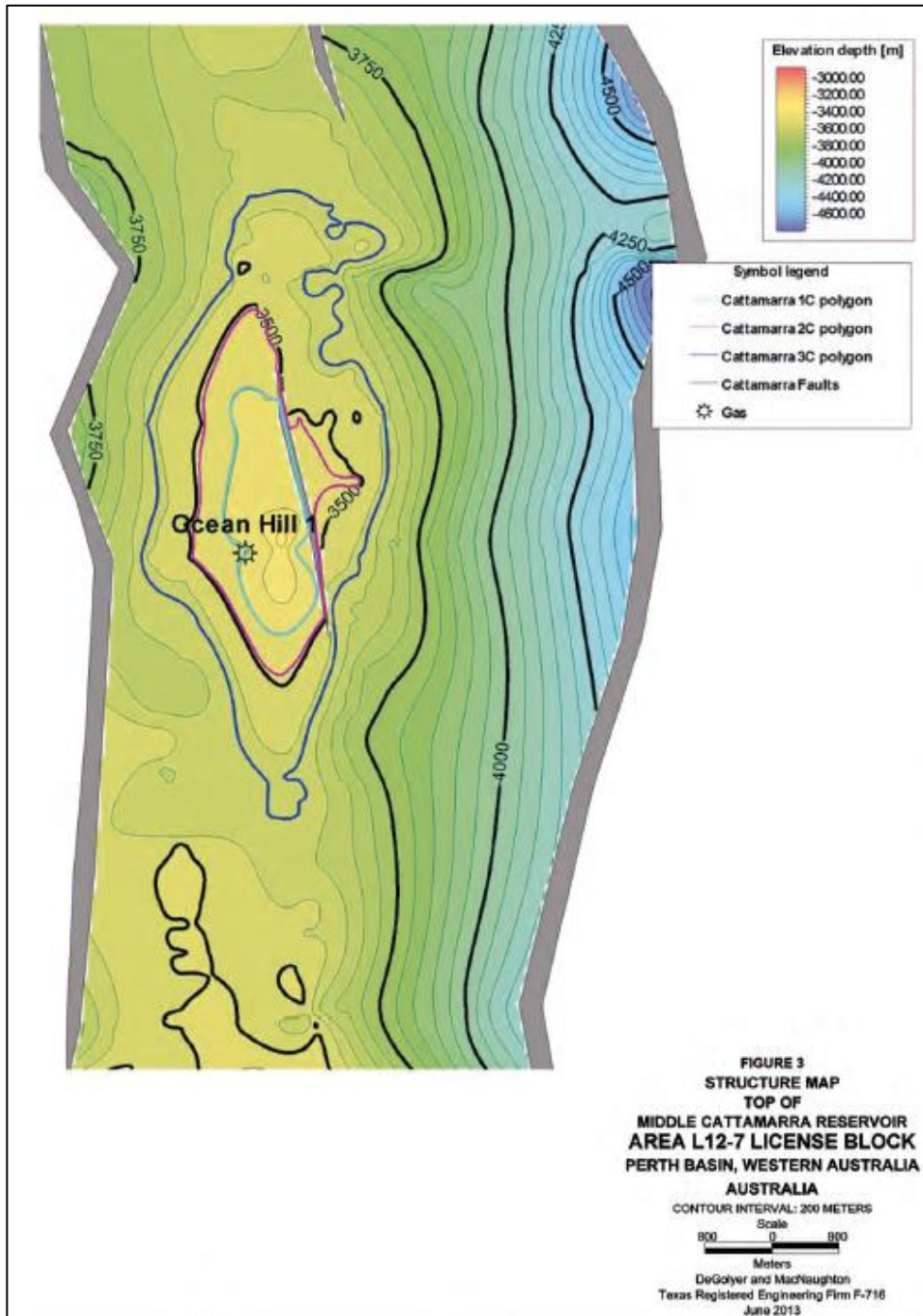


Figure 4-7: D&M 2013 Ocean Hill certification Middle CCM depth structure map

The 2C CR volumes are similar to UIL’s estimated mean volumes and the differences indicate the current uncertainty in the subsurface description.

UIL is planning to drill an appraisal well (Ocean Hill 2) and this should provide greater confidence in the 2C volumetric estimate. If economics support additional seismic acquisition, 3D seismic over the field and adjacent satellite prospects may also help to reduce this uncertainty.

4.2.4. EP495 and EP488 conventional leads

Nine additional leads have been identified in EP495 and the northern part of EP488, Figure 4-8.

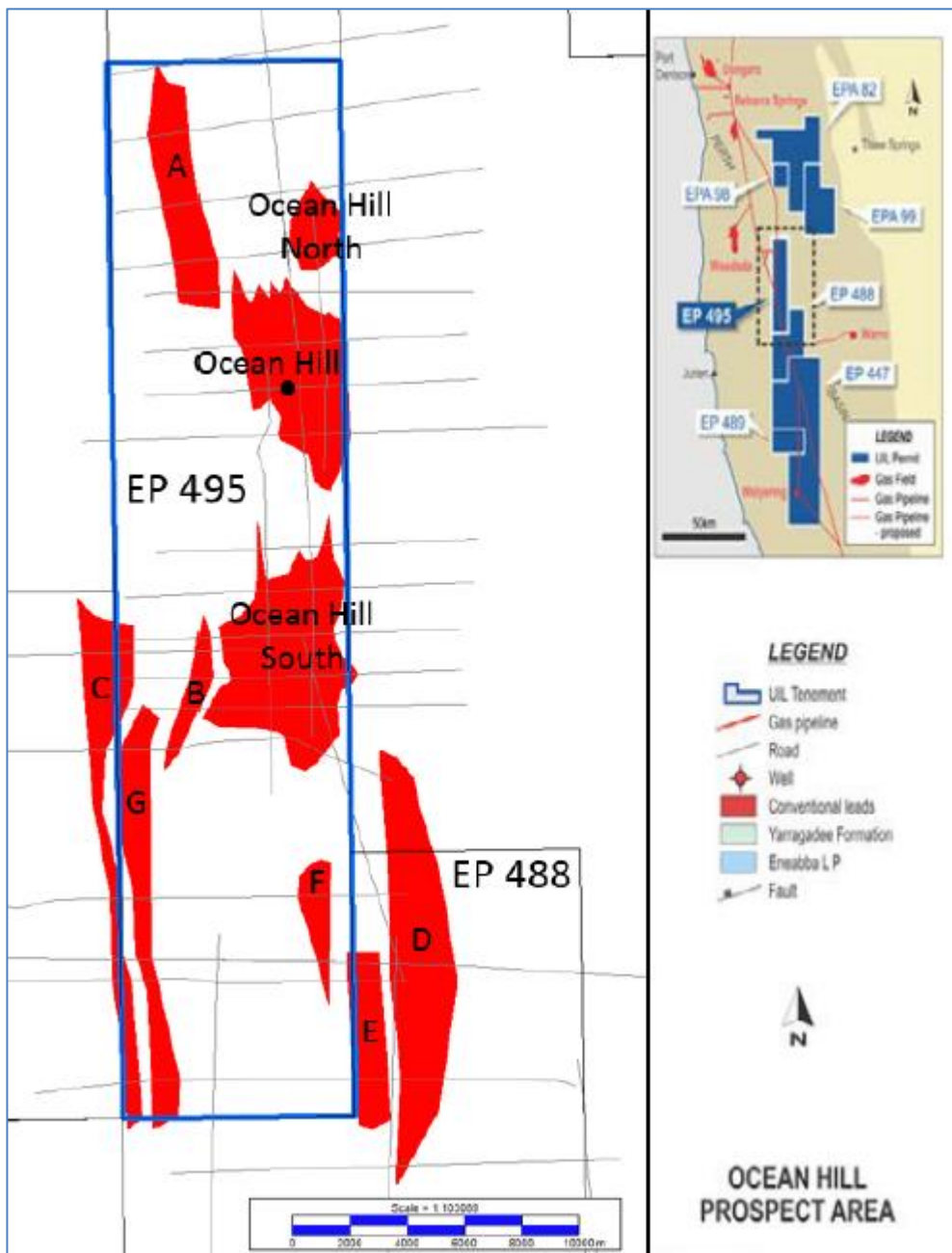


Figure 4-8: Ocean Hill, EP495 and northern EP488 seismic leads

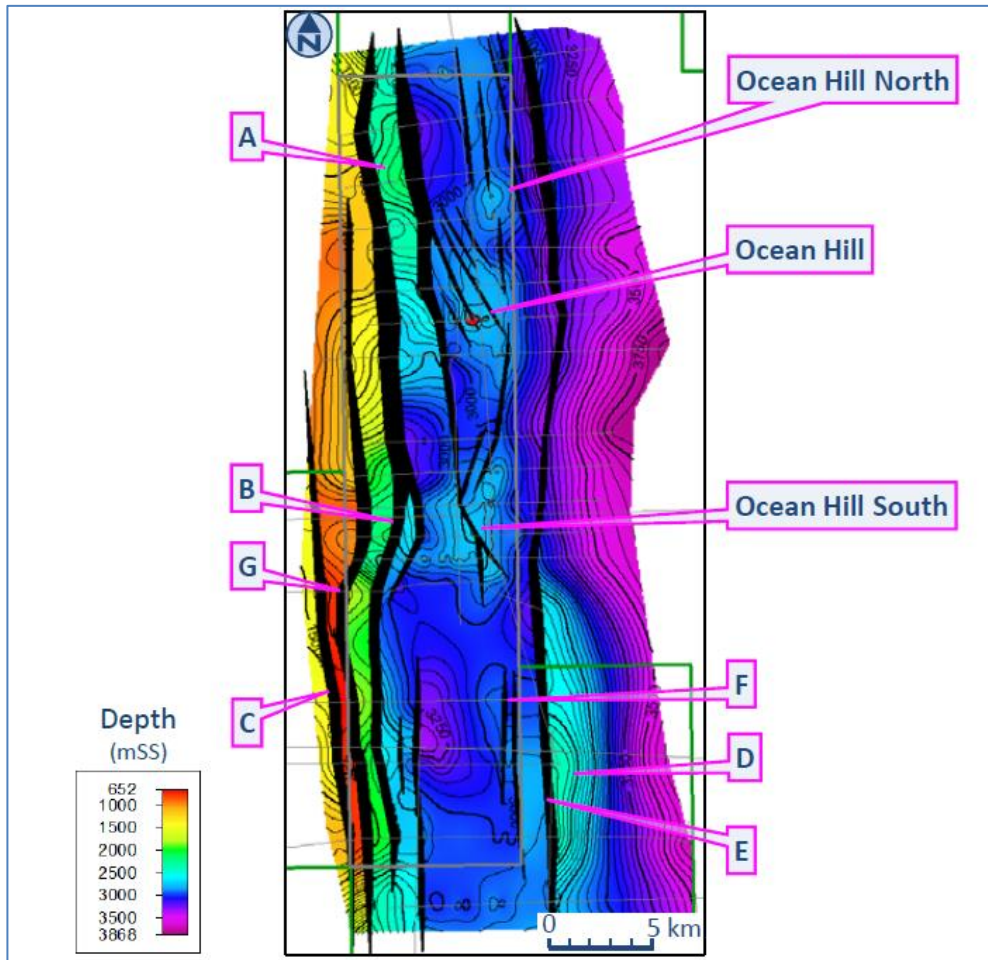


Figure 4-9: Leads shown on Top Cadda depth map

UIL provided summaries for each of the leads, an example of which is shown in Figure 4-10 (lead D).

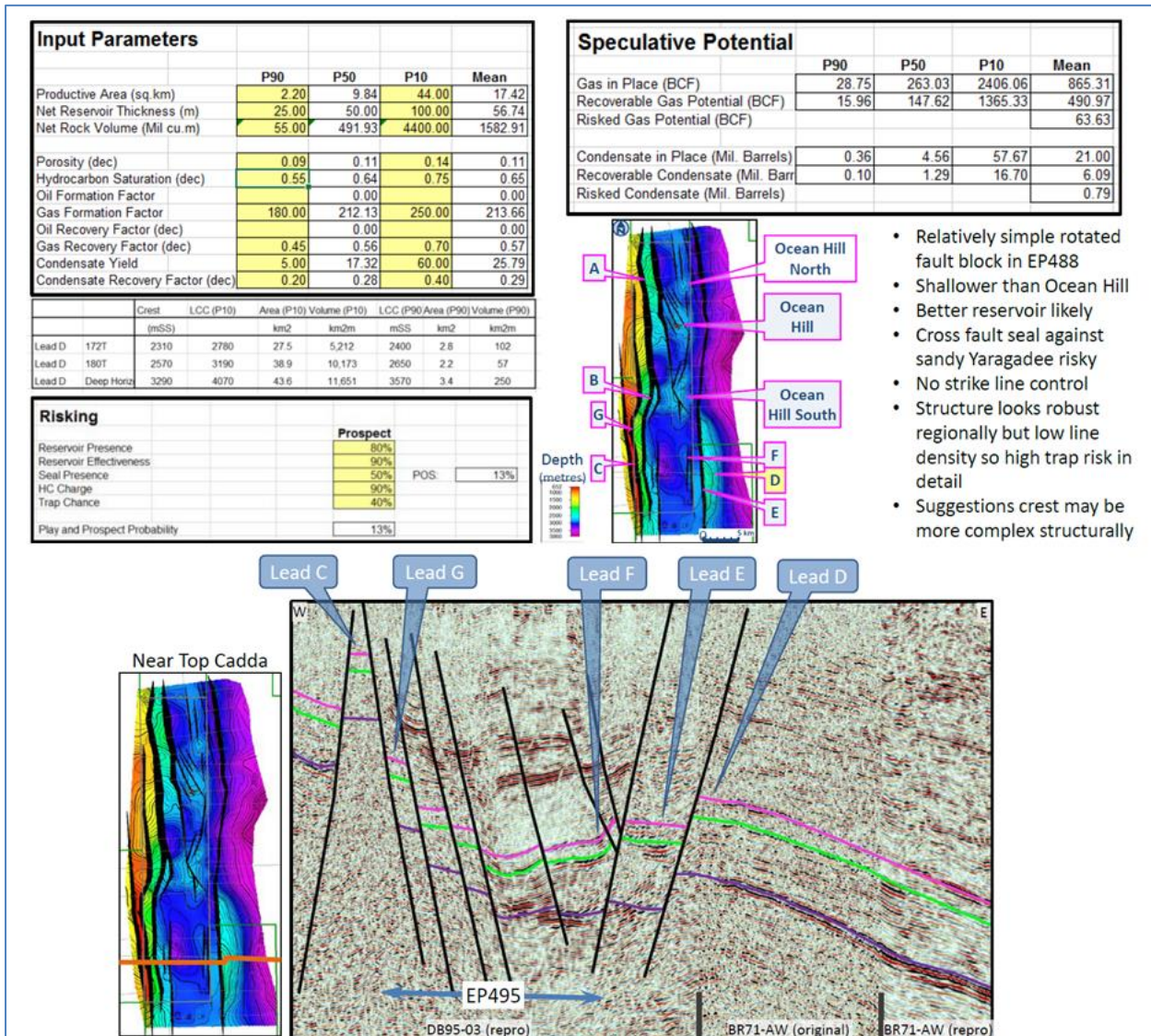


Figure 4-10: Lead D summary (source UIL)

4.2.4.1. EP 495 and EP 498 Prospective resources estimate

UIL's estimated OGIP and prospective resources for the EP495 and EP498 leads using a probabilistic methodology are provided in Table 4-8. The table also includes the estimated chance of success and risked mean prospective resource volume for each lead.

RISC considers the prospective resource estimates and risking reasonable.

Table 4-8: EP 495 and EP 498 leads OGIP and prospective resources (source UIL)

Lead	Permit	Depth to Crest (mSS)	OGIP (Bcf)			Unrisked PR (Bcf)			POS	Risked Mean
			P90	P10	Mean	P90	P10	Mean	%	Bcf
Ocean Hill South	EP495	2690	28	1398	503	10	794	286	35	100
Ocean Hill North	EP495	2790	1	202	73	1	120	44	45	20
A	EP495	1890	18	653	243	10	371	138	17	23
B	EP495	2490	14	171	73	8	98	42	8	3
C	EP495?	651	12	1206	434	7	684	246	1	2
D	EP488	2310	29	2406	865	16	1365	491	13	64
E	EP488	2630	25	1572	568	14	893	322	9	29
F	EP495	2910	4	206	75	2	117	43	9	4
G	EP495	1550	10	691	249	6	392	141	4	6
Arithmetic sum					3083			1753		251

The Ocean Hill South lead represents the largest risked mean prospective resource volume in the portfolio (100 Bcf) and the summary sheet for this lead is shown in Figure 4-11. The structure is complex and fault compartmentalisation of the reservoir very likely. 3D seismic is required to provide additional structural definition to address the primary risk element which is deemed to be trap effectiveness. If seismic is acquired RISC recommends that it is extended to cover the entire Ocean Hill structural complex including the Ocean Hill discovery.

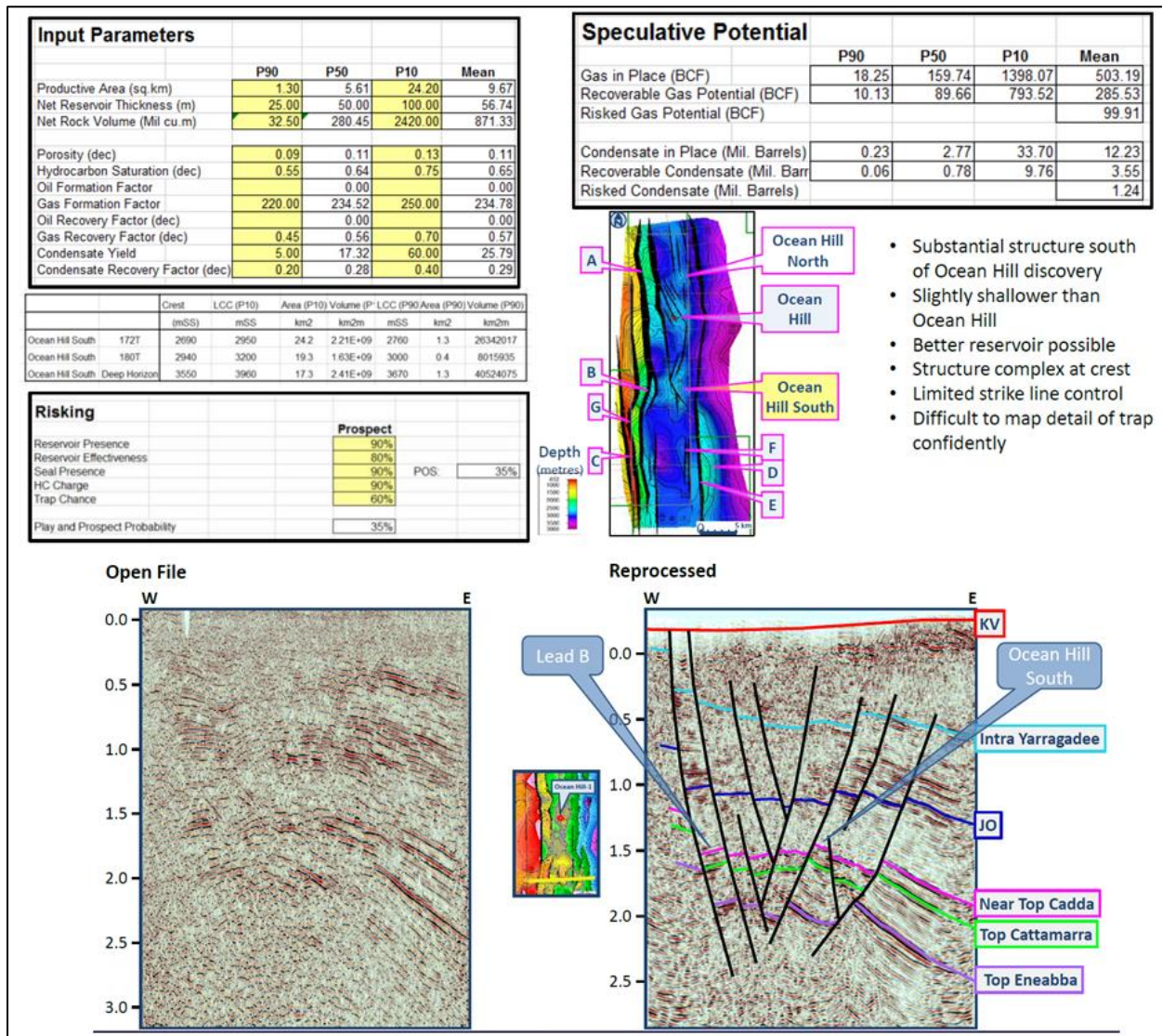


Figure 4-11: Ocean Hill South lead summary

D&M provided prospective resource estimates for the Ocean Hill area in 2013⁸. The estimates were based on the structural interpretation from the original seismic data prior to reprocessing so did not include all of the subsequently identified leads, Figure 4-12. The estimated prospective resource volumes are shown in Table 4-9. The risked mean volume for the Ocean Hill South prospect is 116 Bcf which is similar to UIL's latest estimate of 100 Bcf.

⁸ Report as of June 30, 2013 on the Conventional and Unconventional Prospective Resources attributable to Various Gas Prospects owned by Green Rock Energy Limited in the STP-EPA-0090 License Block Australia, DeGolyer and MaNaughton, September 27th 2013.

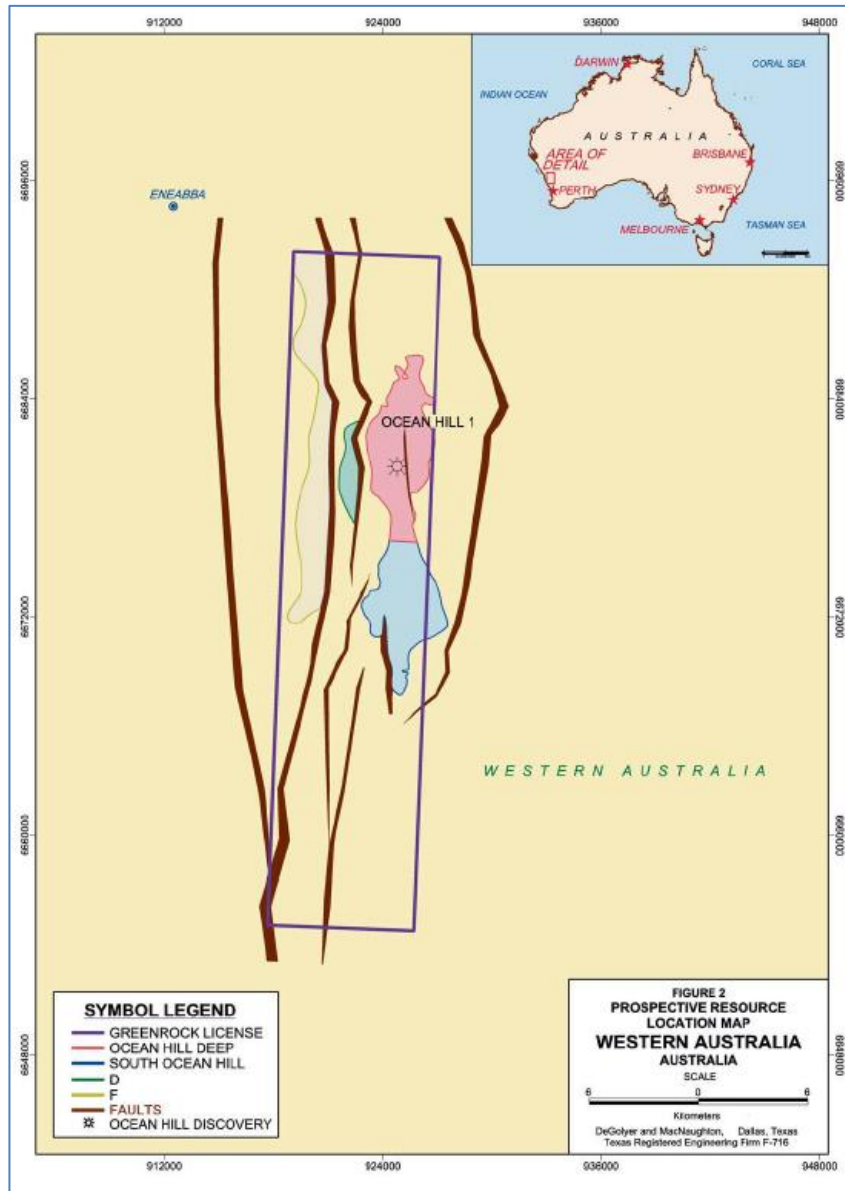


Figure 4-12: EP 495 D&M 2013 leads ascribed prospective resources

Table 4-9 EP 495 D&M 2013 leads ascribed prospective resources

Prospect	Country	Area/Basin	License/Block	Low	Best	High	Mean	Probability of Geologic Success, P_g (decimal)	P_g -Adjusted Mean Estimate (10^6ft^3)
				Estimate (10^6ft^3)	Estimate (10^6ft^3)	Estimate (10^6ft^3)	Estimate (10^6ft^3)		
South Ocean Hill	Australia	Perth	STP-EPA-0090	126,945	237,259	415,065	257,917	0.449	115,912
Ocean Hill Deep	Australia	Perth	STP-EPA-0090	1,287	3,901	8,548	4,583	0.430	1,969
D	Australia	Perth	STP-EPA-0090	44,316	82,211	134,659	86,755	0.449	38,982
F	Australia	Perth	STP-EPA-0090	250,586	463,688	761,204	489,592	0.150	73,439
Statistical Aggregate				556,556	809,021	1,155,189	838,846	0.275	230,303
Arithmetic Summation				423,135	787,060	1,319,477	838,846	0.275	230,303

4.2.5. EP447 W - Walyering Field

UIL has a 30% interest in the Walyering Field. The EP447 W permit is operated by Pancontinental Oil and Gas NL (“Pancontinental”). Pancontinental acquired Bombora Natural Energy Pty Ltd in July 2017. This included the right to farm in to four graticular blocks within EP447 covering the Walyering Gas Field. Pancontinental agreed to fund up to \$2.5 million for a 3D seismic survey and earn a 70% working interest and the right to operate on the Walyering project area. The Walyering project area was subsequently excised out of EP447 to form the EP447 W area.

The Walyering Gas Field was discovered in 1971 and a small compartment produced approximately 0.25 Bcf gas from an extended production test. It is crossed by the Parmelia gas trunk line that has available capacity. The field is located in a large, faulted anticline on the west side of the Dandaragan Trough.

A thick interbedded fluvi-deltaic sandstone reservoir system is present with top and lateral seals mostly provided by intra-formational shales and siltstones. The target reservoirs are relatively deep, between 3,000 m and 4,000 m but when drilled correctly have been shown to have good natural flow potential. The Upper Cattamarra Coal Measures sand reservoir in Walyering 1 flowed naturally to surface at up to 13.5 MMcf/d.

The reservoirs and trapping mechanism are very similar to that in the producing Gingin – Red Gully gas fields on geological trend some 80 km to the south.

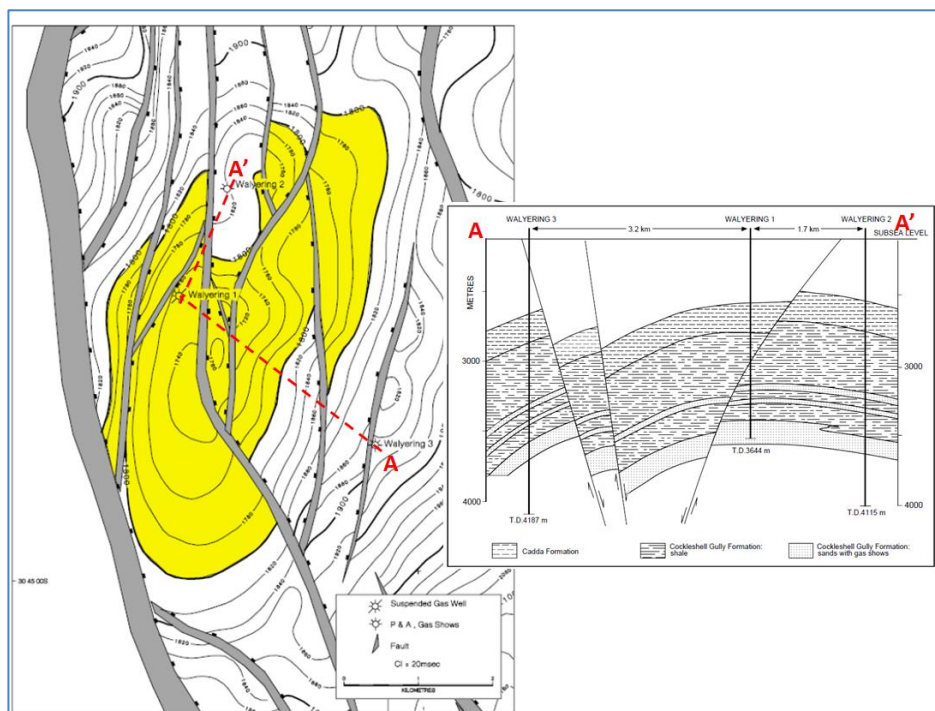


Figure 4-13: Walyering Field CCM depth structure map and cross section (source UIL, modified)

Pancontinental’s technical interpretation is that the central and highest elevation part of the Walyering Gas Field has yet to be drilled⁹. Pancontinental has an option to carry out a 3D seismic survey to better define

⁹ <https://pancon.com.au/project/perth-basin-walyering-gas-field/>

the structure and the largest compartment for future appraisal drilling, Figure 4-14. Pancontinental is processing an application to conduct a 90 km² 3D seismic survey.

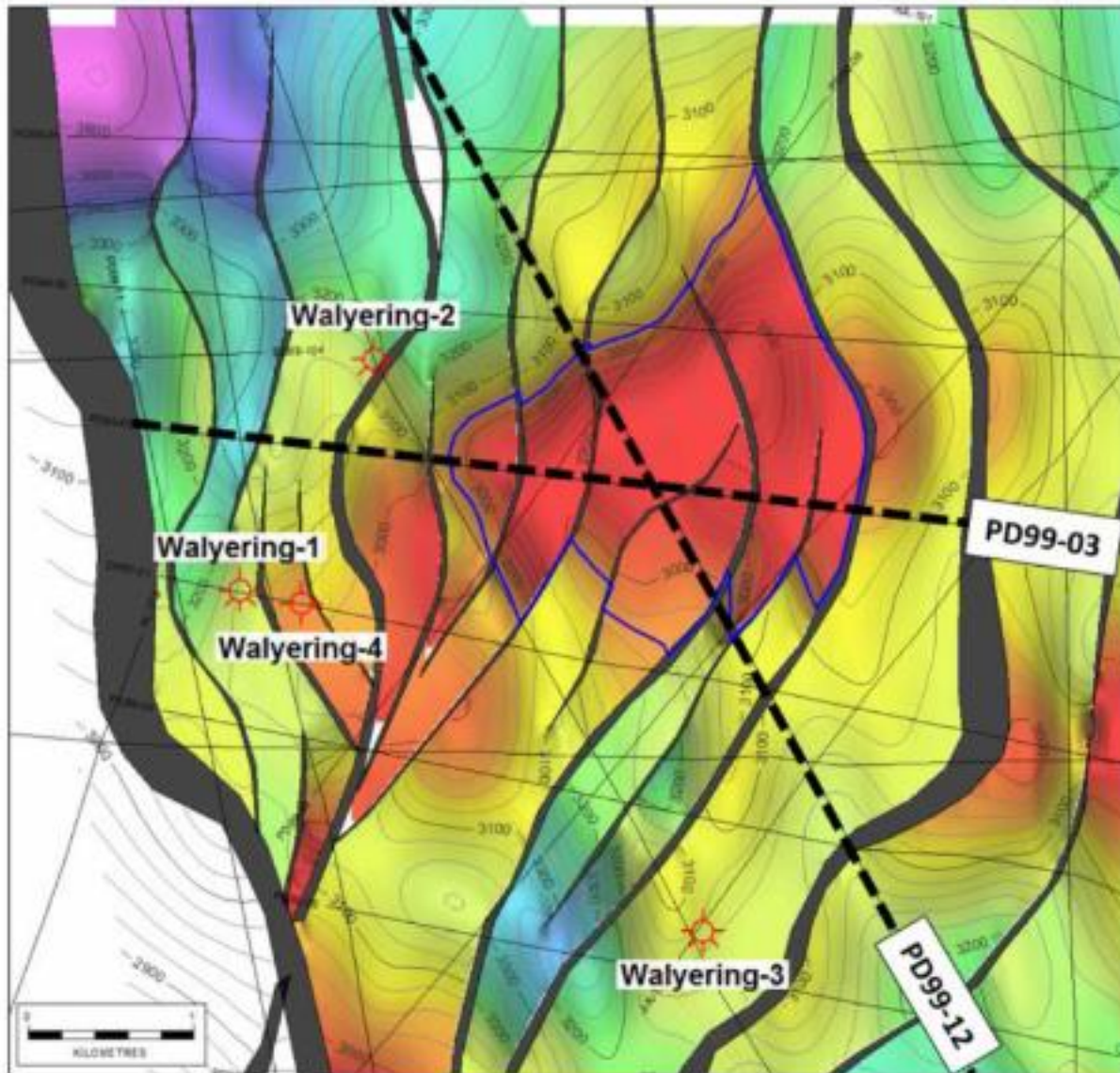


Figure 4-14: Walyering central prospect (source Pancontinental)

UIL also recognises upside potential on the Walyering structure in EP447 W where productive sands were tested at Walyering 2 and 3 and the need for 3D seismic to delineate structural complexity and likely reservoir compartmentalisation³.

4.2.5.1. Walyering Field resource estimate

Pancontinental's low-side prospective resource estimate for the Walyering field is 10 Bcf with a best estimate of 63 Bcf and high-side estimate of 226 Bcf with associated 1.2 MMbbl condensate^{10&11}. The basis for these estimates has not been provided to RISC and therefore cannot be verified.

¹⁰ UIL Summary of Certified Resources and PL.pdf

¹¹ <https://www.worldoil.com/news/2018/5/17/uil-energy-upgrades-prospective-resources-at-walyering-field-in-australia>

4.2.6. EP447 and EP489 conventional leads

Nine conventional leads have been identified in EP447 and EP489. Polygons showing the location of the leads are shown in Figure 4-15.

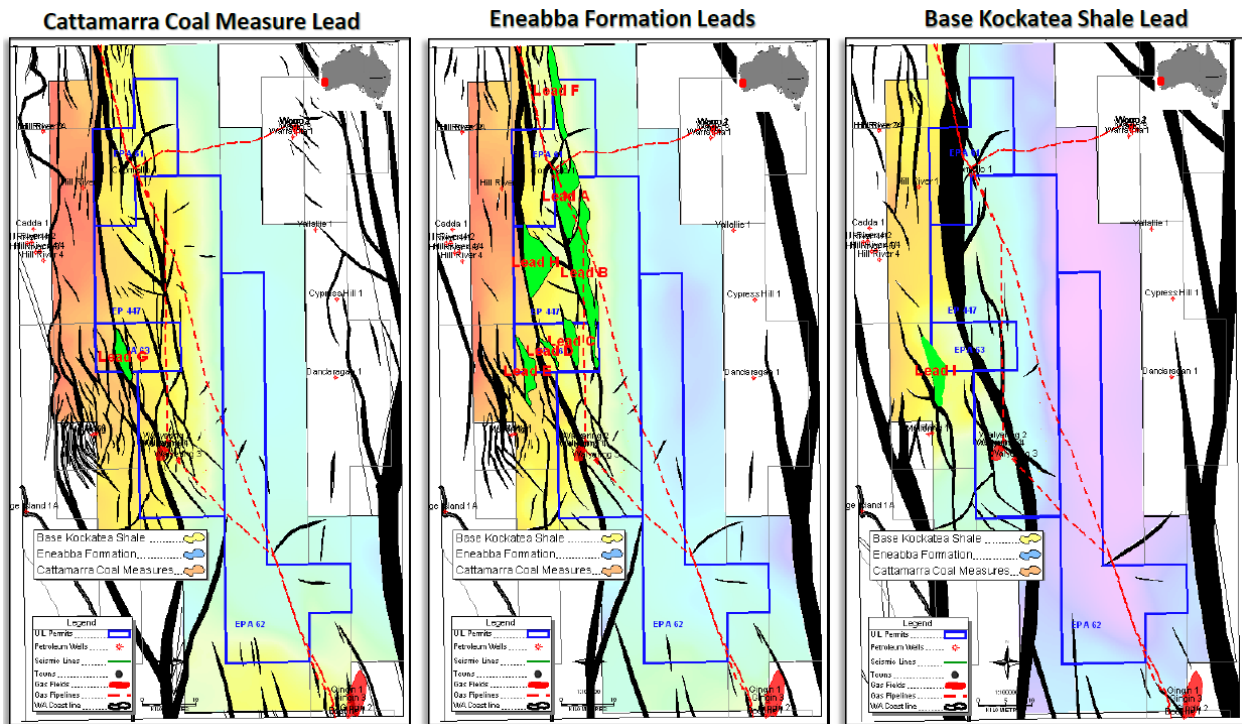


Figure 4-15: Location of conventional leads in southern tenements (Source UIL)

The location of the leads with relation to current permit holdings is shown in Figure 4-16. The lead originally identified as 'Lead A' has subsequently been renamed 'Coomallo East'.

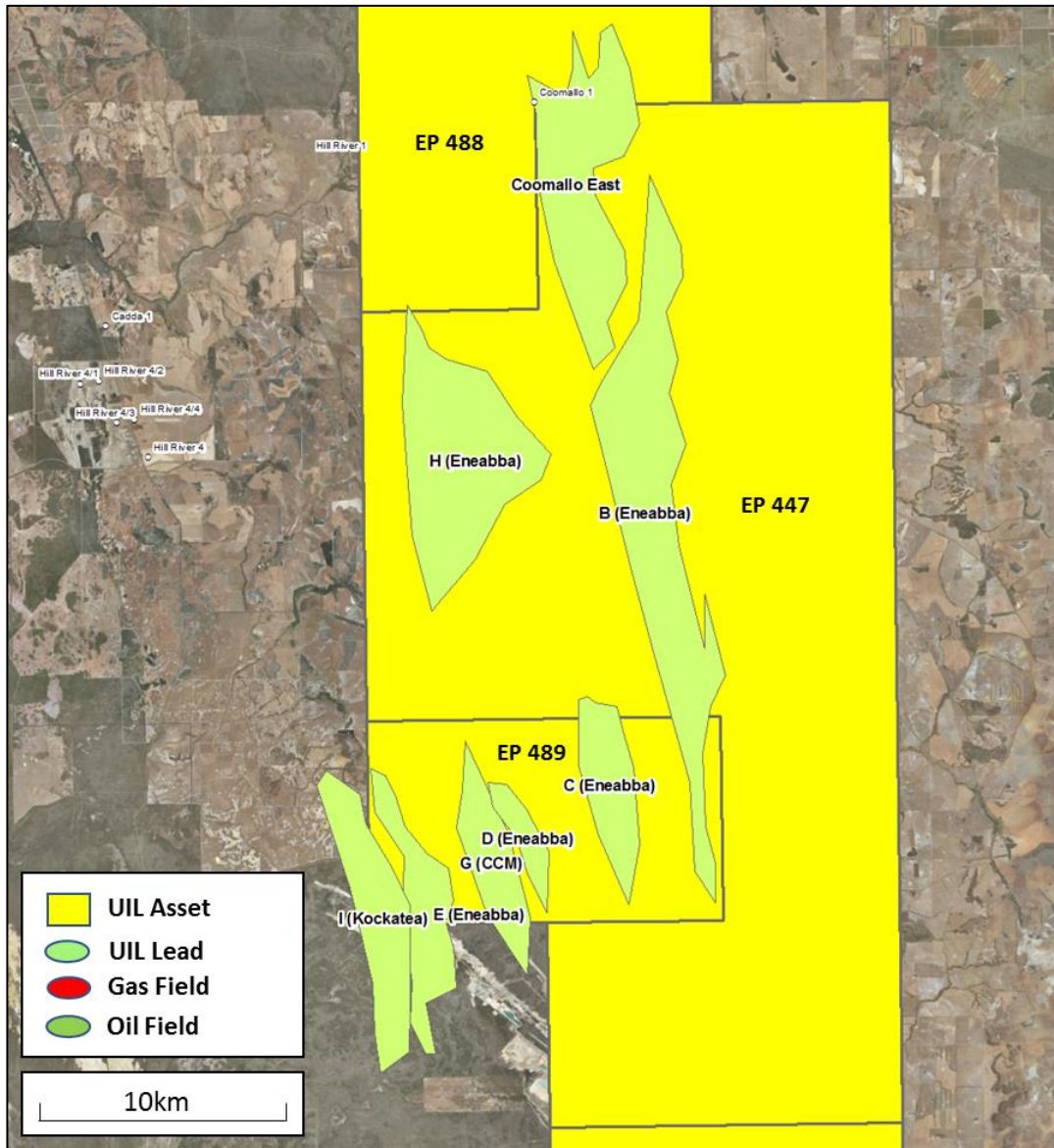


Figure 4-16: Conventional leads identified in EP 447 and EP 489

UIL has provided summaries for each lead (collated in Table 4-10) and a representative interpreted seismic line and depth map for each of the leads. The depth map and representative seismic line for the Coomallo East lead is shown in Figure 4-17 and Figure 4-18.

Table 4-10 Southern tenements conventional leads summary

Lead									
	Coomallo East	B	C	D	E	F	G	H	I
Target	Eneabba (E)						ICCM	E	BKS
Depth mSS	3930	3680	3175	3230	1850	4280	2250	2700	3470
Structure	3-way fault closure (3WFC)							TFB	3WFC
Area km ²	37	51	12	3.7	16	20	14	39	15
Resource	Gas and associated liquids								
Risk	Lateral seal								Res
Permit	EP447, EP488	EP447, EP489		EP489				EP447	EP489
Key well	Coomallo 1	Not Applicable							

ICCM = Intra Cattamarra Coal Measures; BKS = Basal Kockatea Shale; TFB = Tilted Fault Block; Res = Reservoir

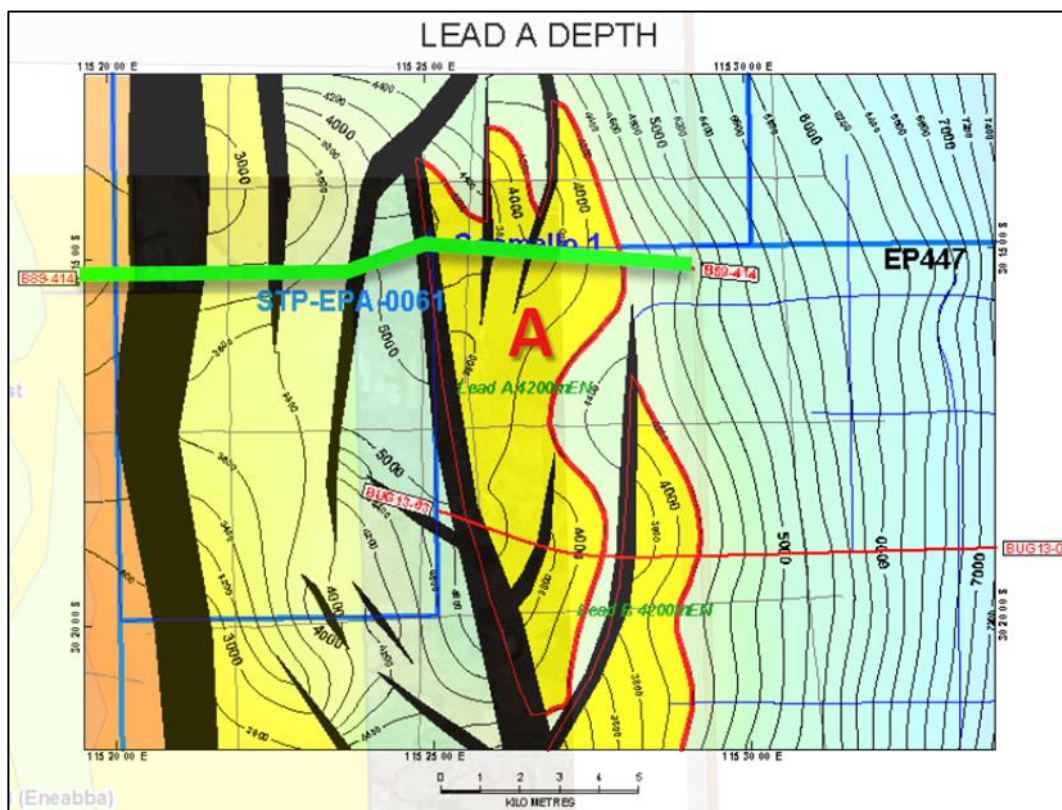
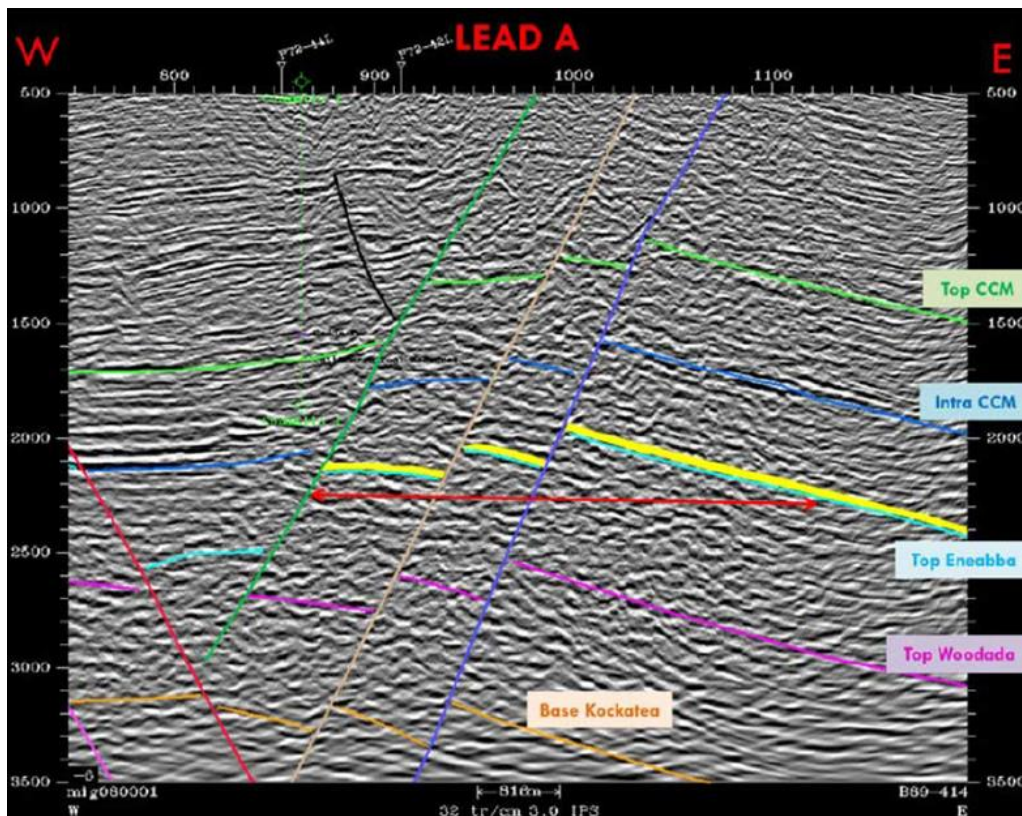


Figure 4-17: Coomallo East (formerly Lead A) structure map

Figure 4-18: Coomallo East (formerly Lead A) seismic line



The target depth range for the leads is from 1,700 – 4,500 m below sea level (mSS). Leads vary in size from 0.3 – 51 km² and are situated within the Coomallo Trough and Cadda Terrace, proximal to the Dandaragan Trough, Figure 4-2 and on trend with the Walyering gas field. The typical targeted structures are three-way fault dependent closures associated with north – south trending antithetic faults in the Coomallo Trough and Cadda Terrace areas. Cross fault seals are provided by the juxtaposing shale sequence of the lower Cattamarra Coal Measures. Additional seismic is required to mature the leads to drill ready prospects.

4.2.6.1. Coomallo East prospective resource estimate

Saitta Petroleum Consultants Pty Ltd estimated prospective resources in Coomallo East (Lead A) using a deterministic methodology and the following assumptions¹²:

- Areal closure of 37 km² and vertical closure of 540 m;
- Eneabba Formation: 20 m sand; 50% net to gross; 12% porosity; 40% water saturation; 300 rcf/scf formation volume factor;
- OGR 40 bbls/million ft³;
- Recovery factor 60%.

RISC assumes, but has not verified that the reservoir parameter values are based on the nearby Coomallo 1 well.

¹² Email from Tony Saitta (Saitta Petroleum Resources) to John De Stefani 18th March 2017.

Estimated GIIP is 277 Bcf and unrisked prospective resource is 166 Bcf (and 6.6 MMbbl associated condensate). RISC recommends the use of a probabilistic volumetric methodology given the maturity of the lead.

4.2.7. Basin Centered Gas (BCG) Play

UIL have also identified a potential BCG play extending through the southern tenements but notes the following:

- The North Perth Basin lacks significant well control that have drilled beyond 4,000 m overburden depth as wells are typically drilled on structures and are targeting conventional plays;
- True formation pressures are difficult to obtain in tight reservoirs;
- A number of formation tests (cased hole DSTs) were conducted at Walyering and Warro, however static pressures were not achieved;
- The BCG play concept is not commercialised yet within the Perth Basin despite number of positive indications to date.

The BCG play relevant to UIL’s tenements is the Cattamarra Coal Measures with additional volumetric upside and Yarragadee Formation.

There is significant uncertainty in the size of the potential play. Resource input parameters and prospective resource ranges calculated by UIL are provided in Table 4-11 and Table 4-12.

Table 4-11: BCG play - Probabilistic prospective resources input parameters (source UIL)

Parameters	Lowside	Highside	Dist. Range		Dist. Type	Interpolated (P 90,50,10)			P10/P90	Comment
Area (km ²)	135	600	P90	P10	Lognormal	135	331	600	4.44	Constrained by top pressure seal and current drilling depth limitation; 5,000 mGL
Gross thickness (m)	500	800	P90	P10	Lognormal	600	631	795	1.33	Constrained by wells and minimum drillable isopach thickness of 500m
NTG (%)	5%	30%	P90	P10	Lognormal	5%	12%	29%	5.80	Based on net sand interpreted and identified at Walyering wells
Phi (%)	3%	9%	P90	P10	Lognormal	3%	5%	9%	3.00	Core and interpreted data
Sw (%)	10%	50%	P90	P10	Lognormal	10%	22%	47%	4.70	Interpreted log analyses
1/Bg (v/v)	250	350	P90	P10	Lognormal	250	295	350	1.40	PVTZ of reservoir
Rec. Factor (%)	5%	25%	P90	P10	Lognormal	5%	11%	23%	4.60	Anlogues from U.S and Candana

Reservoir Parameters	Value	Unit
Res. Depth	4,000 - 4,500	m
Res. Temp	250	°F
Res. Press	6,500	psi
Gas density	0.6 - 0.65	g/cc
Drive Mech	Pressure depletion	

*The parameter are best guess estimates based on the current data available
In order to better define the resource potential additional data are required*

Table 4-12: BCG play – Unrisked probabilistic prospective resources results (source UIL)

Percentiles	Area (km ²)	GIIP (BCF)	GIIP/km ² (BCF)	EUR (BCF)	EUR/km ² (BCF)
P90	133	2,182	10	194	0.83
P80	173	3,477	14	331	1.33
P70	207	4,838	19	486	1.89
P60	242	6,380	24	679	2.52
P50	280	8,326	30	923	3.28
Mean	322	13,473	42	1,724	5.39
P40	324	10,701	38	1,232	4.30
P30	381	14,245	47	1,682	5.71
P20	455	19,635	62	2,430	7.87
P10	571	30,648	88	4,015	12.19
P 10/90	4	14	9	21	15

Resources are gross 100% basis

Un-risked

There is no certainty that the prospective resources are discoverable or commercial

The volumes are considered reasonable given the current early stage of exploration and include a suitably large range between low side and high side estimates.

UIL’s assessment of geological risk in the CCM BCG play is shown in Table 4-13.

Table 4-13: Geological risk assessment (source UIL)

CCM BCG Geological Play Risks		
Geological Parameter	Pg	Comment
Source	1.00	CCM is an effective source rock. Source thickness and lateral extent mapping required
Seal	0.75	Over pressure is demonstrated at a hand full of wells. Need to demonstrate regionally pervasiveness
Reservoir	0.90	Upper and lower sand units of the CCM are proven to be effective reservoirs in adjacent production fields. Requires data to be able to map pervasive lateral extent. Require to be proven that Sw is low below pressure seal
Structure / Geographically large	0.75	For unconventional the play fairway needs to be large
Total Risk	0.51	

McDaniel’s provided UIL with an independent geologist’s report on the CCM BCG potential in 2014¹³. McDaniel’s estimated un-risked prospective resources of between 69 Bcf (P90) to 1,450 Bcf with a P50 of 328 Bcf. McDaniel’s gave a geological chance of success of 13% with the primary risks being the quality of the reservoir and the possibility of a regional pressure seal.

¹³ UIL Energy Ltd Independent Geologist’s Report as of June 30, 2014, McDaniel’s and Associates Consultants Ltd

It is our opinion that commercial risk is more relevant to unconventional resource plays. The commercial risk is that the reservoir cannot be developed in a way that commercial rates and recovered volumes can be achieved. Well completion options in unconventional reservoirs are vertical fracked wells, horizontal unfracked wells and horizontal fracked wells. The local geomechanical stress tensor is of fundamental importance to the selection and optimization of a suitable development well/completion design. It is therefore extremely important to acquire high quality geomechanical datasets during exploration and appraisal of unconventional resource plays.

Furthermore, RISC notes that:

- Unconventional exploration and development in WA is currently obstructed by a moratorium on fracking activities. This could possibly change in the future opening up the opportunity again for unconventional developments in WA;
- Any future interest in unconventional exploration and development in WA will be driven by gas demand. At present, the Perth Basin does not have a high demand for gas.

RISC would consider unconventional opportunities in WA to be of little interest in the current environment due to the fracking moratorium and the current over-supply of gas in the Perth Basin.

No value has been ascribed by RISC to the prospective unconventional resources identified in the Southern tenements.

4.3. Northern tenements (EPA82, EPA98, EPA99 Applications)

4.3.1. Work program and commitments

The northern tenements are currently in the process of Native Title negotiation. The native title negotiations commenced in 2013. The work programs and commitments submitted to the WA Department of Mines and Petroleum and to which basis the government has given UIL preferred applicant status subject to Native Title Claim are provided on Table 4-14, Table 4-15 and Table 4-16.

Table 4-14: EPA82 Work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	Yet to be granted		150 km 2D Seismic Survey	1.65
2			1 well	8.00
3			80 km ² New SD Seismic Survey and well stimulation	5.50
4			1 well	8.00
5			150 km 2D Seismic Survey and well stimulation	5.15
6			1 well	8.00
Years 1 and 2 of the of the work program are a firm commitment. Years 3-6 are contingent.				

Table 4-15: EPA98 Work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	Yet to be granted		200 km 2D Seismic Reprocessing	0.10
2			50 km New 2D Seismic Survey	0.70
3			25 km ² New 3D Seismic Survey	0.80
4			1 well	8.00
5			Production test	3.75
6			Technical studies	0.25
Years 1 and 2 of the of the work program are a firm commitment. Years 3-6 are contingent.				

Table 4-16: EPA99 Work program and commitments

Year of Term	Title Year Starts	Title Year Ends	Minimum work requirements	Indicative Minimum Expenditure \$A Million
1	Yet to be granted		200 km 2D Seismic Reprocessing	0.10
2			150 km New 2D Seismic Survey	2.00
3			1 well	8.00
4			50 km ² new 3D seismic survey	1.60
5			150 km new 2D seismic survey and production test	5.15
6			1 well	8.00
Years 1 and 2 of the of the work program are a firm commitment. Years 3-6 are contingent.				

4.3.2. Prospectivity

UIL's northern tenements in the North Perth Basin are situated on trend to a number of gas discoveries including the Senecio unconventional field, Figure 4-1. Although offset discoveries would suggest that the primary reservoir targets in these tenements are the early Triassic lower Kockatea Shale (Hovea Member) and early Permian Carynginia Formation, UIL has identified the Jurassic Cattamarra Coal Measures (CCM) as an additional target as shown in UIL's exploration play, leads and prospects map, Figure 4-19.

- EPA82 at 559 km² is the largest of the northern tenements by area, Table 4-1.
 - UIL has mapped the Kockatea and Carynginia play fairway within the western part of the tenement and extending south into the western half of the adjoining EPA98.
 - Five conventional leads (ranging from 2-5 km²) within the Cattamarra CM have been identified from existing 2D seismic. Four of these are located in the east of EPA82 (north of EPA99) and the fifth lead is in the northwest of EPA82.

- EPA98 is a single graticular block and UIL’s mapping has continued the Kockatea and Carynginia play fairway south from EPA82 to include the western half of the EPA98 tenement.
- EPA99 is the most southern and eastern of the three tenements and UIL has identified a potential basin centered gas play at the CCM level that is analogous to the play concept in its southern tenement EP447.

Regional well results also indicate that the Irwin River Coal Measures and High Cliff Sandstone may represent additional prospectivity in the far west of EPA82 but exploration is at an early stage and depth of burial is to be confirmed in its northern tenements.

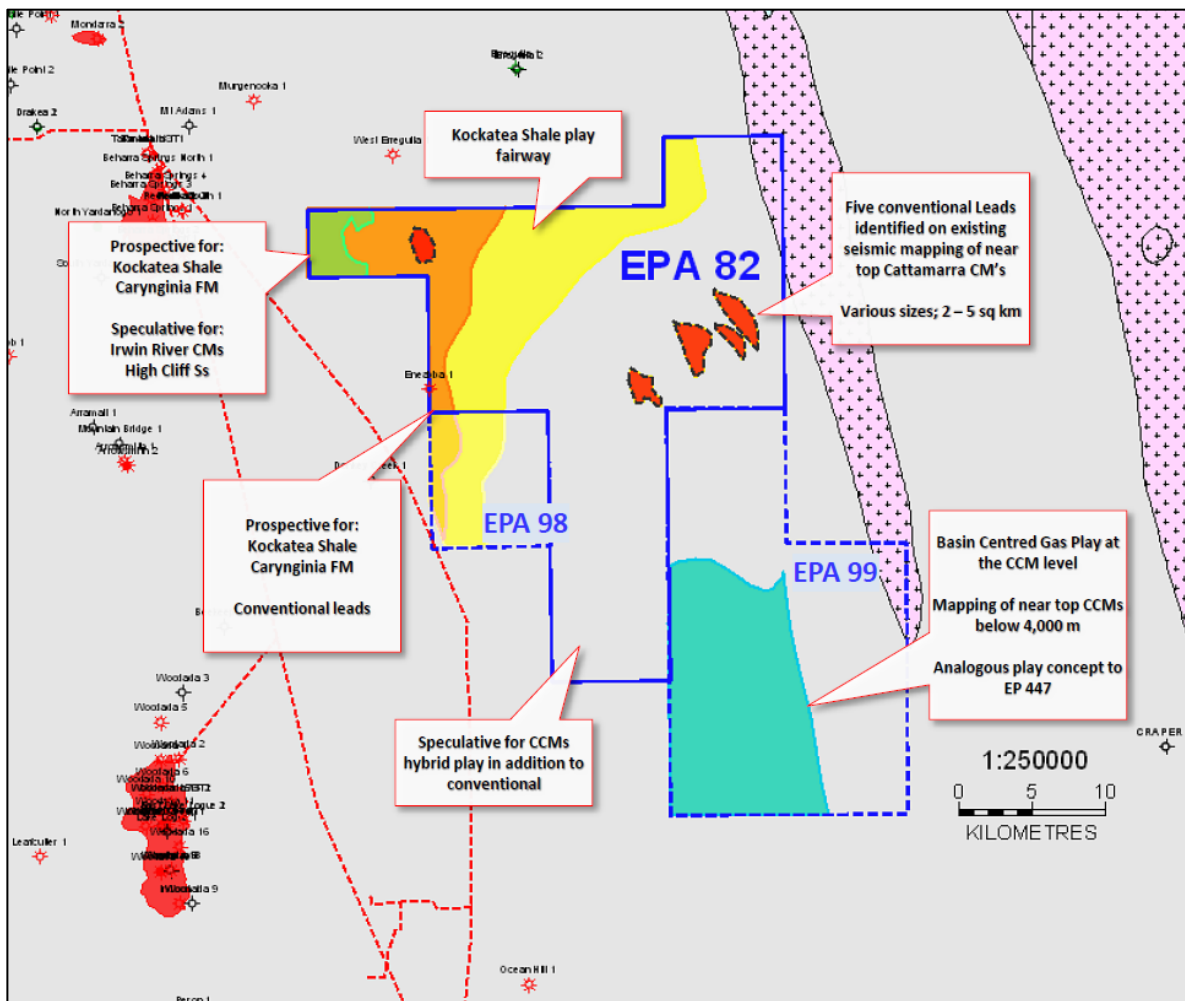


Figure 4-19: Northern tenements play, leads and prospects map (source UIL)

4.3.2.1. Kockatea Shale and Carynginia play

This is a potential Source Reservoir Resource (SRR) play within predominantly fine grained silt/shale sequences in the Lower Kockatea (Hovea Member) and Carynginia Formation. SRR plays are usually characterised by very large prospective gas-in-place estimates. The challenge is first to define and prove reservoir sweet spots and then to prove and optimise drilling and completion techniques that will result commercial production from these unconventional reservoirs.

The Kockatea Shale and Carynginia Formation is considered to be a predominantly gas resource play with associated liquids. Hydrocarbon accumulation and flows from the Kockatea Shale (Hovea Member) and Carynginia Formation are proven from offset wells in conventional trapping structures. The Kockatea is an

effective source rock and considered the primary source rock for the Dongara, Beharra Springs and Woodada fields. Source rock analyses show that the sequence could be gas prone with liquids generative potential, in the UIL tenements area.

UIL has compiled Kockatea Shale reservoir data from cores and wireline logs acquired in offset wells Eneabba 1 and West Erregulla 1. Carynginia Formation reservoir data is based on core analysis and logs acquired in Erregulla 1.

As expected Kockatea Shale porosity and permeability are low 3-7% total porosity and ambient air permeability less than 1 mD. Log analysis in West Erregulla 1 calculates a gross hydrocarbon column of 51 m. Analysis of a separator sample gas from Eneabba 1 indicates a methane content of 70-74% with negligible CO₂.

Carynginia Formation Erregulla 1 core analysis shows total porosity ranging from 4% to 11% and 'extremely low permeability' was recorded in the well completion report. A 71 m gross hydrocarbon column was calculated from the petrophysical analysis.

Arrowsmith 2, located 25km to the west, provides proof of concept for both the Kockatea and Carynginia shale gas plays. UIL is well placed in the Perth Basin to test these plays. Exploration and appraisal drilling will provide future opportunities to acquire data to characterise the plays.

Areal constraints on the potential area for the Kockatea Shale play are shown in Figure 4-20.

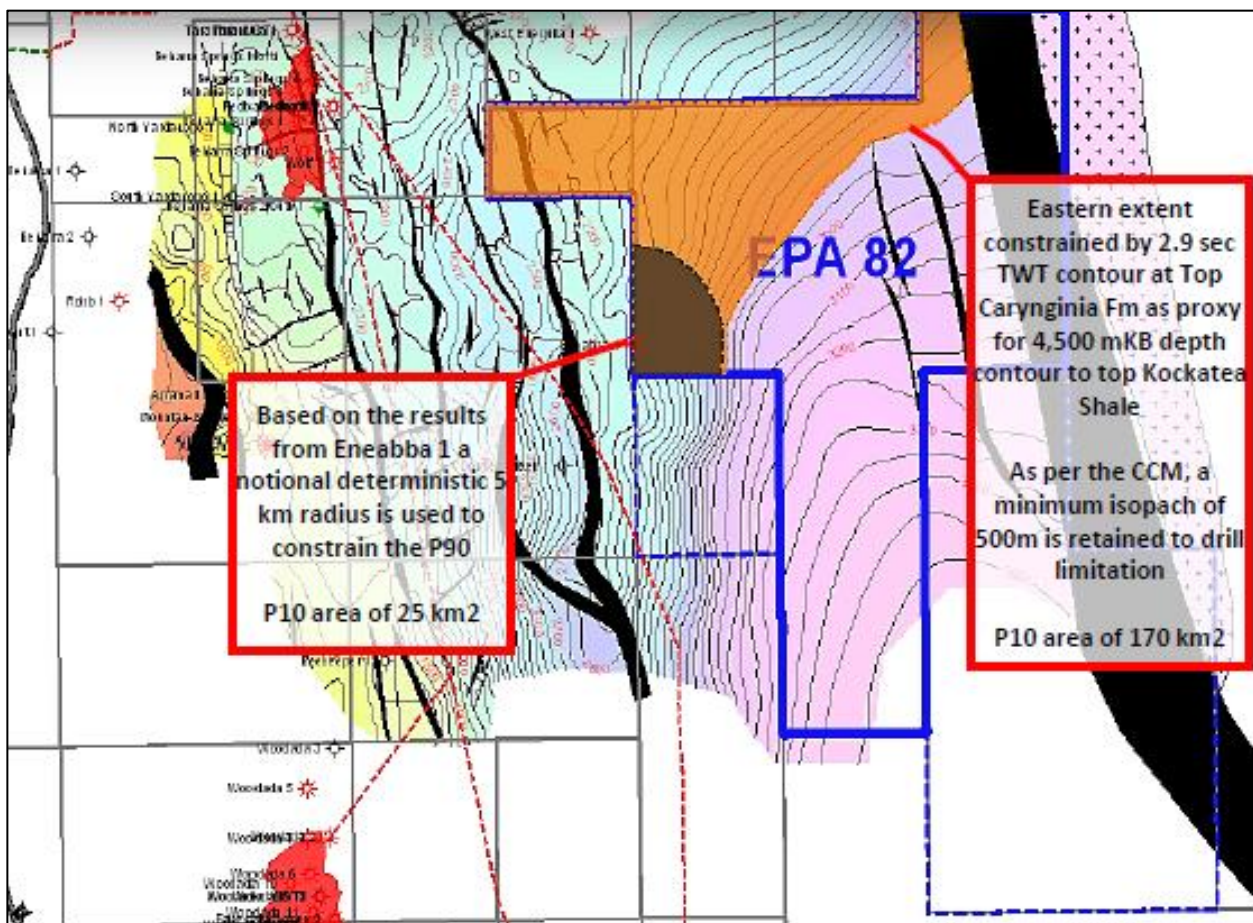


Figure 4-20: Kockatea Shale Formation Play map showing areal constraints

Areal constraints on the potential area for the Carynginia Shale play are shown in Figure 4-21.

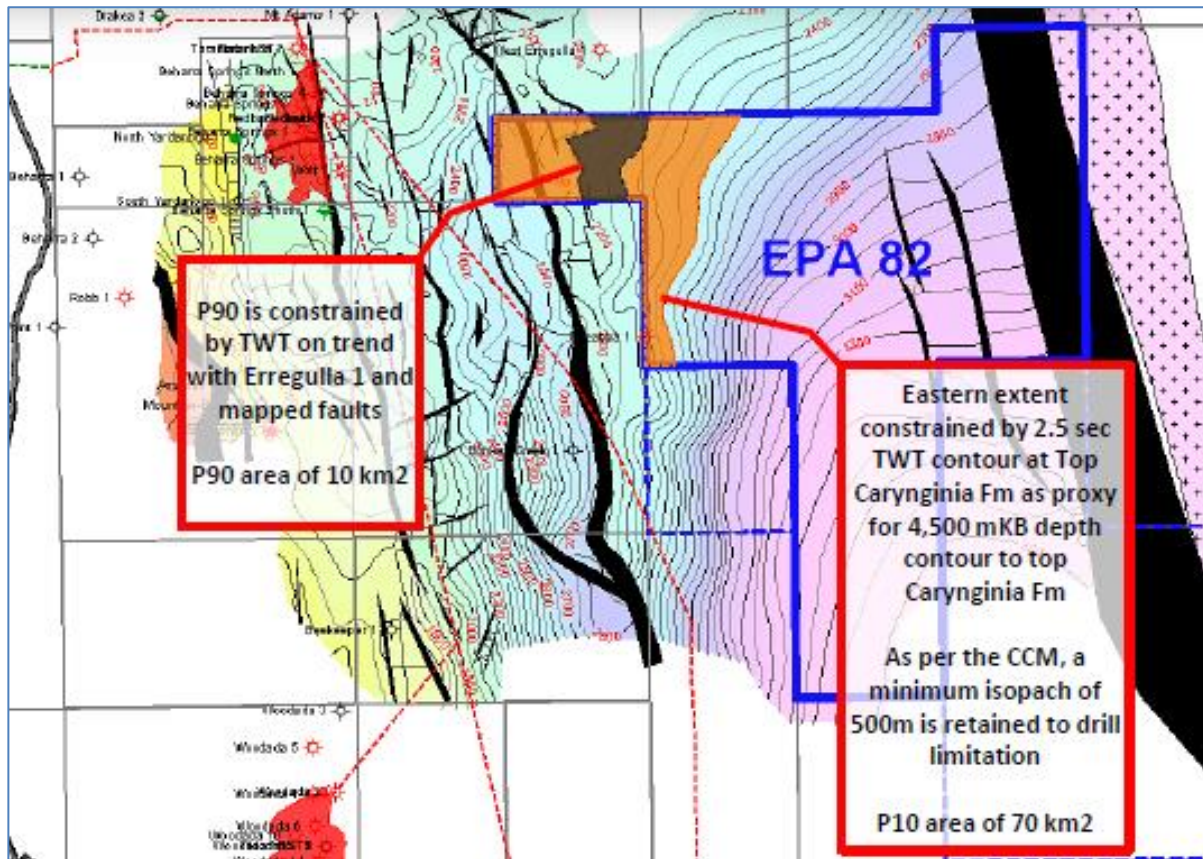


Figure 4-21: Carynginia Formation Play map showing areal constraints

UIL has estimated prospective GIIP and EUR estimates for the Kockatea Shale and Carynginia Formation unconventional play within EPA82. Resources were estimated probabilistically which is the most appropriate method given the uncertainty in the various input parameters.

Unrisked prospective resource estimates for the Kockatea and Carynginia plays are provided in Table 4-17 and Table 4-18.

Table 4-17: Un-risked Kockatea Shale probabilistic GIIP and EUR estimates (source UIL)

Percentiles	Area (km ²)	GIIP (BCF)	GIIP/km ² (BCF)	EUR (BCF)	EUR/km ² (BCF)	Condensate Yield (Mbbbl)
P90	26	235	5.23	20	0.42	0.31
P80	35	370	7.27	34	0.64	0.55
P70	44	526	9.39	50	0.86	0.83
P60	54	706	11.67	69	1.11	1.16
P50	65	936	14.31	92	1.40	1.59
Mean	84	1,581	18.71	181	2.13	3.43
P40	78	1,216	17.20	124	1.80	2.17
P30	96	1,615	21.38	169	2.31	3.07
P20	120	2,239	27.21	249	3.08	4.57
P10	166	3,562	37.78	418	4.65	7.89
P10/90	6	15	7	21	11	26

Table 4-18: Un-risked Kockatea Shale probabilistic GIIP and EUR estimates (source UIL)

Percentiles	Area (km ²)	GIIP (BCF)	GIIP/km ² (BCF)	EUR (BCF)	EUR/km ² (BCF)	Condensate Yield (Mbbbl)
P90	10	133	7.90	12	0.63	0.08
P80	14	206	10.66	19	0.93	0.14
P70	18	282	12.97	28	1.23	0.20
P60	22	369	15.27	39	1.57	0.27
P50	27	471	17.87	51	1.96	0.36
Mean	35	734	21.11	96	2.76	0.70
P40	32	603	20.90	69	2.45	0.48
P30	40	786	24.70	95	3.11	0.67
P20	50	1,049	29.52	136	4.01	0.97
P10	70	1,617	38.45	222	5.82	1.62
P 10/90	7	12	5	19	9	20

There is a wide range between the un-risked P90 and P10 estimates and this is to be expected as the evaluation is at an early stage of maturation. Exploration and appraisal drilling will acquire specific data that will increase the understanding of the play and reduce this current uncertainty range. RISC supports the current prospective resource estimates.

UIL estimates the total geological risk (Pg) for the Kockatea Shale unconventional play to be 0.73. Individual element risks are shown in Table 4-19.

Table 4-19: Kockatea Shale geological risk assessment (source UIL)

Kockatea Shale Fm Geological Play Risks		
Geological Parameter	Pg	Comment
Source	0.95	The CCM, Kockatea Shale and underlying Irwin River are all proven to be effective source rocks
Seal	0.95	the Kockatea Shale is a proven seal for numerous petroleum fields within the northern Perth Basin
Reservoir	0.90	Tight, gas saturated interburden sandstone and siltstone units are confirmed within the Kockatea Shale Fm
Structure / Geographically large	0.90	The extensive deposition of the Kockatea Shale Fm is mappable on existing 2D seismic Lateral accessibility is constrained by current drilling depth limitation to 5,000m onshore
Total Risk (Pg)	0.73	Low risk, proven play at Eneabba 1 and Erregulla 1

RISC's opinion on risking unconventional plays is discussed in section 4.2.7.

4.3.2.2. Tight CSG/hybrid play

The tight CSG / hybrid play within the Cattamarra Coal Measures is a mixed lithology play that includes the Donkey Creek coal seams and associated and tight sandstones and carbonaceous siltstones. Well log correlations indicate the Donkey Creek coals to be laterally extensive from Eneabba 1 to Erregulla 1 and 2.

Eneabba 1, located directly adjacent to EPA82, intersected a gross interval of 20 m (1944 –1964 mKB). Net coal of 7.8m (40% NTG) is based on a sonic cut-off greater than 110 ms/ft. Mud log hydrocarbon shows throughout the CCM suggest that it is an effective source rock at Eneabba 1.

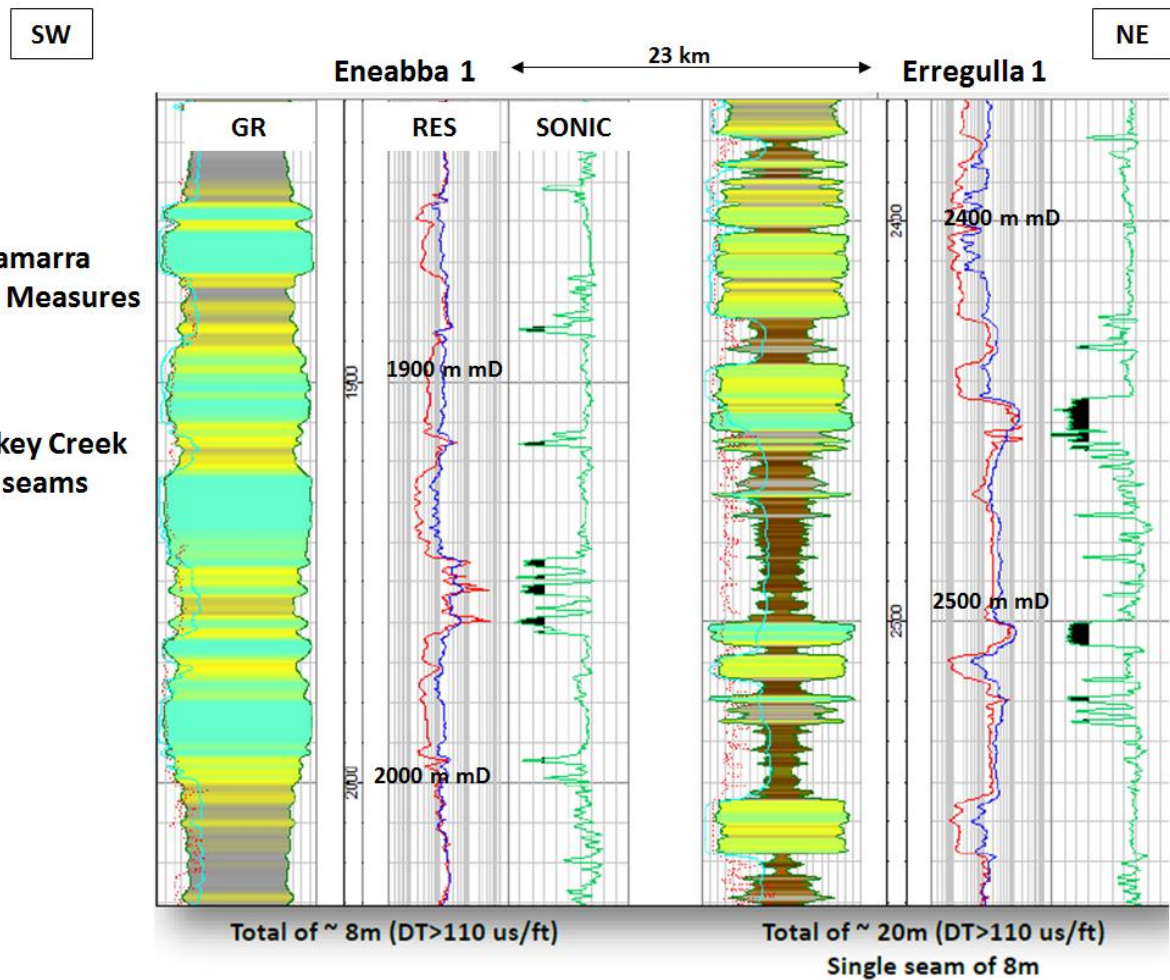


Figure 4-22: Stratigraphic well correlation panel - CCM Donkey Creek coal seams (source modified from UIL)

Vitrinite reflectance data show the coals to be thermally mature for hydrocarbon generation. Petrology and coal analyses indicate the Donkey Creek coal seams are High Volatile Bituminous rank. In addition to the coal seams there are interbedded carbonaceous siltstones which further enhance the source rock prospectivity. Coal seams are located within drillable depth limit and it is highly probable that they are extensive within EPA82. The play is analogous to the Patchawarra Coal Play currently the focus of Strike Energy’s deep coal CSG appraisal program in the Cooper Basin.

In RISC’s opinion the CSG/hybrid play is at the conceptual stage of exploration maturation and therefore has not been included in the resource estimate or asset valuation.

As stated previously (refer to section 4.2.7) RISC considers unconventional opportunities in WA to be of little interest in the current environment due to the fracking moratorium and the current over-supply of gas in the Perth Basin.

4.3.2.3. Cattamarra Coal Measures conventional leads

UIL has mapped five conventional leads within the Cattamarra Coal Measures. The leads range in size from 2 to 5 km². The seismic interpretation has not been viewed by RISC and therefore their presence cannot be confirmed. As no data have been provided to RISC to assess these leads they are not included in RISC’s volumetric assessment or asset valuation.

4.4. Valuation

RISC has assessed the value of the UIL assets using various valuation methods as described in Section 2.2.3 and summarized in

Table 4-20.

EP447 W (Walyering) Valuation

UIL has a 30% interest in EP447 W (Walyering)¹⁴. The value estimate of the EP447 W (Walyering) asset was taken from farm-in promotion factors and comparable transactions. The low value estimate is the value of the Pancontinental farm-in net to UIL (A\$1.0 million). The mid case value estimate is the value of an additional farm-out of the asset for a 1.5 for 1 promote on the drilling of one well. A well cost of A\$ 8 million has been assumed. The mean farm-in promote factor in comparable transactions since January 2015 is 1.5 for 1. The high case value estimate assumed a 2C contingent resource value of A\$0.35 / MMcfe (comparable to the amount Strike Energy paid Warrego Energy in March 2018 for access to the West Erregulla project). The Walyering field has not had a contingent resource independently ascribed to it but, for the basis of this valuation, the high case value estimate has assumed a 2C resource at the Walyering field of 63 Bcf.

EP447, EP488, EP489 Valuation

UIL has a 100% interest in EP447, EP488 and EP489. Given the similarity and maturity of the opportunities identified in the EP447, EP488 and EP489 permits, the valuation of these permits has been taken together. It is considered unlikely that a potential farm-in company to these permits would look to take equity in one of the permits without taking interest in the others. The key identified opportunity in the permits is the Coomallo East prospect that straddles the EP447 and EP488 permits.

The low value estimate for the permits is the value of the UIL sunk costs in the assets to date (A\$ 3.1 million). The mid-case value is the value of a farm-out in the three permits for 100% recovery of the sunk costs and a 1.5 for 1 promote on the drilling of one well. A well cost of A\$ 5 million has been assumed. The high case value estimate is based on 100% recovery of the sunk costs and a farm-out of the asset for a 1.5 for 1 promote on the drilling of two wells.

EP495 (Ocean Hill) Valuation

UIL has a 100% interest in EP495 (Ocean Hill). The value estimate of the EP495 asset was taken from the original purchase price of the asset, work program commitments and comparable transactions. The low value estimate is the purchase price paid by UIL to Eneabba for the asset in February 2016 (A\$1.8 million). The mid case value estimate is the value of a farm-out of the asset for a 1.5 for 1 promote on the drilling of one well. A well cost of A\$ 8 million has been assumed. The high case value estimate uses a value of contingent resources from comparable transaction. However, a discount on the A\$ / MMcfe 2C ratio has been applied due to the Ocean Hill reservoir properties being poorer quality than surrounding assets in comparable transactions (West Erregulla). A value of A\$0.05 / MMcfe 2C has been applied. EP495 has been given an independent contingent resource of 366 Bcfe.

EPA82, EPA98, EPA99 Northern tenement applications

UIL has a 100% interest in EPA82, EPA98 and EPA99 exploration permit applications (the Northern tenement applications). The value estimate of the Northern tenement applications was taken from work

¹⁴ Providing Pancontinental successfully completes the terms of their farm-in on EP447 W

farm-in promotion factors. The low value estimate assumes that the applications do not get granted / do not successfully get through the native title process. The native title process on the applications began in March 2013. The mid case value estimate is the value of a farm-out of the asset for a 1.5 for 1 promote on the drilling of one well. A well cost of A\$ 8 million has been assumed. The high case value estimate is based on a farm-out of the asset for a 2 for 1 promote on the drilling of one well. The estimates have been discounted by 50% to allow for diminishing value over time given the uncertainty in when these assets may be converted into exploration permits.

Table 4-20: Valuation of UIL's portfolio, A\$ million (Net to UIL)

Permit	Valuation Range (A\$ Million)			Valuation Method
	Low	Best	High	
EP447W (Walyering)	1.0	1.2	6.6	Value from the Pancontinental farm-out, farm-in promotion factors and comparable transactions
EP447, EP488, EP489	3.1	5.6	8.1	Sunk costs, farm-in promotion factors
EP495 (Ocean Hill)	1.8	4.0	18.3	Sunk costs/Purchase price, farm-in promotion factors, comparable transactions
EPA82, EPA98, EPA99 Northern tenement applications	0.0	2.0	4.0	Farm-in promotion factors
Arithmetic Total	5.9	12.8	37.0	
Probabilistic Total	P90		P10	
	6.8		24.0	

Values of individual assets are typically estimated at low, best and high values. As the low and high values of the asset portfolio are derived by the arithmetic addition of the individual assets low and high values, respectively, they represent the possible extremes of the portfolio value envelope.

While acquirers of the individual permits could value the assets at either end of the value range, it is unlikely that potential buyers of the exploration asset portfolio would value all of the assets at either all of the low or all of the high estimated extremes.

Their own assessments of individual permits will span the low, best or high outcomes based on factors including: their strategic objectives and region or geological basin focus; assessment of an asset's prospectivity and associated geological risks; the fiscal and regulatory framework applicable to the asset; accessibility of commercialisation routes, including markets and infrastructure, for each asset; equity interests, operator capability and joint venture partners in each asset.

RISC accounts for the portfolio effects by estimating the low and high values of the portfolio using a probabilistic estimate. There may be further adjustments required to the range based on judgement taking into account the specifics of the portfolio and market.

Adjusting for portfolio effects, RISC estimates a value range for the UIL assets of between A\$6.8 million and A\$24.0 million. A best estimate value from arithmetic addition of the portfolio is A\$12.8 million.

5. Declarations

5.1. Qualifications

RISC is an independent oil and gas advisory firm. The RISC staff engaged in this assignment include qualified petroleum reserves and resources evaluators as specified in ASX listing rules, engineers, geoscientists and commercial analysts, each with many years of relevant experience and most have in excess of 20 years.

RISC was founded in 1994 to provide independent advice to companies associated with the oil and gas industry. Today the company has approximately 40 highly experienced professional staff at offices in Perth and Brisbane, Jakarta and London. Our services cover the entire range of the oil and gas business lifecycle and include:

- Oil and gas asset valuations, expert advice to banks for debt or equity finance;
- Exploration/Portfolio management;
- Field development studies and operations planning;
- Reserves assessment and certification, peer reviews;
- Gas market advice;
- Independent Expert/Expert Witness;
- Strategy and corporate planning.

The preparation of this report has been supervised by **Mr Ian Cockerill**, Head of Geoscience. Ian is a Petroleum Geologist with 19 years of experience and a successful record of value creation through oil and gas discoveries, new venture development, and asset / corporate promotion. Ian has a background in geological and geophysical interpretation with experience in conventional and unconventional exploration and development projects in a wide range of geological settings. He has worked in technical positions for Hunt Oil and Apache Energy and in executive positions for Transerv Energy, Verona Energy and TSV Montney. Ian is a member of the Petroleum Exploration Society of Australia (PESA), American Association of Petroleum Geologists (AAPG), South East Asia Petroleum Exploration Society (SEAPEX) and the Canadian Society of Petroleum Geologists (CSPG). Ian has an MSc. in Basin Evolution and Dynamics from Royal Holloway College, University of London, UK (1999) and a BSc. Geological Sciences with 1st Class (Honours) from the University of Leeds, UK (1996). Ian is a qualified petroleum reserves and resources evaluator (QPPRE) as defined by ASX listing rules and is a full-time employee of RISC.

5.2. VALMIN Code and ASIC Regulatory Guides

This Report has been prepared by RISC. This Report has been prepared in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2015 Edition (“The VALMIN Code”) as well as the Australian Securities and Investment Commission (ASIC) Regulatory Guides 111 and 112.

5.3. Petroleum Resources Management System

In the preparation of this Report, RISC has applied the guidelines and definitions of the Petroleum Resources Management System approved by the Board of the Society of Petroleum Engineers in 2007 (PRMS).

5.4. Report to be presented in its entirety

RISC has been advised by BDO that this report will be presented in its entirety without summarisation.

5.5. Independence

This report does not give and must not be interpreted as giving, an opinion, recommendation or advice on a financial product within the meaning of section 766B of the Corporations Act 2001 or section 12BAB of the Australian Securities and Investments Commission Act 2001.

RISC is not operating under an Australian financial services licence in providing this report.

In accordance with regulation 7.6.01(1)(u) of the Corporations Regulation 2001. RISC makes the following disclosures:

- RISC is independent with respect to UIL and confirms that there is no conflict of interest with any party involved in the assignment;
- Under the terms of engagement between RISC and UIL for the provision of this report RISC will receive a time-based fee, with no part of the fee contingent on the conclusions reached, or the content or future use of this report. Except for these fees, RISC has not received and will not receive any pecuniary or other benefit whether direct or indirect for or in connection with the preparation of this report;
- Neither RISC nor any of its personnel involved in the preparation of this report have any material interest in UIL or in any of the properties described herein;
- RISC has not provided advice to UIL specifically in relation to the Proposed Transaction.

5.6. Limitations

The assessment of petroleum assets is subject to uncertainty because it involves judgments on many variables that cannot be precisely assessed, including reserves, future oil and gas production rates, the costs associated with producing these volumes, access to product markets, product prices and the potential impact of fiscal/regulatory changes.

The statements and opinions attributable to RISC are given in good faith and in the belief that such statements are neither false nor misleading. In carrying out its tasks, RISC has considered and relied upon information obtained from UIL as well as information in the public domain.

The information provided to RISC has included both hard copy and electronic information supplemented with discussions between RISC and senior UIL staff.

Whilst every effort has been made to verify data and resolve apparent inconsistencies, we believe our review and conclusions are sound, but neither RISC nor its servants accept any liability, except any liability which cannot be excluded by law, for its accuracy, nor do we warrant that our enquiries have revealed all of the matters, which an extensive examination may disclose. We believe our review and conclusions are sound but no warranty of accuracy or reliability is given to our conclusions.

Our review was carried out only for the purpose referred to above and may not have relevance in other contexts.

This report was substantially completed by 30 October 2018. We are not aware of any changes since that date that would have a material impact on the values and opinions contained within this report.

5.7. Consent

RISC has consented to this report, in the form and context in which it appears, being included in the independent expert report. Neither the whole nor any part of this report nor any reference to it may be included in or attached to any other document, circular, resolution, letter or statement without the prior consent of RISC.

This Report is authorised for release by Ian Cockerill dated 6th November 2018.

A handwritten signature in black ink, appearing to be "Ian Cockerill", written in a cursive style.

Ian Cockerill

Head of Geoscience

6. List of terms

6.1. Abbreviations

The following table lists abbreviations commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
1P	Equivalent to Proved reserves or Proved in-place quantities, depending on the context.
1Q	1st Quarter
2P	The sum of Proved and Probable reserves or in-place quantities, depending on the context.
2Q	2nd Quarter
2D	Two dimensional
3D	Three dimensional
4D	Four dimensional
3P	The sum of Proved, Probable and Possible reserves or in-place quantities, depending on the context.
3Q	3rd Quarter
4Q	4th Quarter
AFE	Authority for expenditure
bbbl	US barrel
bbbl/d	US barrels per day
Bcf	Billion (10 ⁹) cubic feet
Bcm	Billion (10 ⁹) cubic meters
BFPD	Barrels of fluid per day
BOPD	Barrels of oil per day
BTU	British thermal units
BOEPD	US barrels of oil equivalent per day
BWPD	Barrels of water per day
°C	Degrees Celsius
Capex	Capital expenditure
CAPM	Capital asset pricing model
CGR	Condensate gas ratio
CO ₂	Carbon dioxide
cP	Centipoise
CPI	Consumer price index
DEG	Degrees
DHI	Direct hydrocarbon indicator
DST	Drill stem test
E&P	Exploration and production
EMV	Expected monetary value
EOR	Enhanced oil recovery
ESMA	European Securities and Markets Authority

Term	Definition
ESP	Electric submersible pump
EUR	Estimated ultimate recovery
F	Degrees Fahrenheit
FDP	Field development plan
FEED	Front end engineering and design
FID	Final investment decision
FM	Formation
FPSO	Floating production, storage and offtake unit
FWL	Free water level
FVF	Formation volume factor
GIIP	Gas initially in place
GJ	Gigajoules (10^9 J)
GOC	Gas-oil contact
GOR	Gas oil ratio
GRV	Gross rock volume
GSA	Gas sales agreement
GTL	Gas to liquid(s)
GWC	Gas water contact
H ₂ S	Hydrogen sulphide
HHV	Higher heating value
ID	Internal diameter
IRR	Internal rate of return
JV(P)	Joint venture (parties)
Kh	Horizontal permeability
km ²	Square kilometres
Krw	Relative permeability to water
Kv	Vertical permeability
kPa	Kilopascals (thousand Pascal)
Mstb/d	Thousand stock tank barrels per day
LIBOR	London inter-bank offered rate
LNG	Liquefied natural gas
LTBR	Long-term bond rate
m	Metres
MDT	Modular dynamic (formation) tester
mD	Millidarcies
MJ	Megajoules (10^6 J)
MMbbl	Million US barrels
MMscf(/d)	Million standard cubic feet (per day)
MMstb	Million US stock tank barrels
MOD	Money of the day (nominal dollars)
MOU	Memorandum of understanding
MMcfe	Millions of Cubic Feet Equivalent

Term	Definition
Mscf	Thousand standard cubic feet
Mstb	Thousand US stock tank barrels
MPa	Megapascal (10^6 Pa)
mss	Metres subsea
MSV	Mean success volume
mTVDss	Metres true vertical depth subsea
MW	Megawatt
NPV	Net present value
NTG	Net to gross
ODT	Oil down to
OGIP	Original gas in place
OOIP	Original oil in place
Opex	Operating expenditure
OWC	Oil-water contact
P & A	Plug and Abandon (abandonment of wells)
PBU	Pressure build-up
PJ	Petajoules (10^{15} J)
POS	Probability of success
PRMS	Petroleum Resources Management System
PSC	Production sharing contract
PSDM	Pre-stack depth migration
PSTM	Pre-stack time migration
psia	Pounds per square inch pressure absolute
p.u.	Porosity unit
PVT	Pressure, volume and temperature
QA/QC	Quality assurance/ control
rb/stb	Reservoir barrels per stock tank barrel (at standard conditions)
RFT	Repeat formation tester
RT	Rotary table or real terms, depending on context
SC	Service contract
scf	Standard cubic feet (measured at 60 degrees F and 14.7 psia)
Sg	Gas saturation
Sgr	Residual gas saturation
SRD	Seismic reference datum lake level
SPE	Society of Petroleum Engineers
s.u.	Fluid saturation unit
stb	Stock tank barrels
STOIIP	Stock tank oil initially In place
Sw	Water saturation
TCM	Technical committee meeting
Tcf	Trillion (10^{12}) cubic feet
TJ	Terajoules (10^{12} J)

Term	Definition
TLP	Tension leg platform
TRSSV	Tubing retrievable subsurface safety valve
TVD	True vertical depth
US\$	United States dollar
US\$ million	Million United States dollars
WACC	Weighted average cost of capital
WHFP	Well head flowing pressure
WPC	World Petroleum Council
WTI	West Texas Intermediate

6.2. Definitions

The following table lists some definitions for terms commonly used in the oil and gas industry and which may be used in this report.

Term	Definition
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingent Resources are a class of discovered recoverable resources as defined in the SPE-PRMS.
Discount Rate	The interest rate used to discount future cash flows into a dollars of a reference date
Expectation	The mean of a probability distribution.
P90, P50, P10	90%, 50% & 10% probabilities respectively that the stated quantities will be equalled or exceeded. The P90, P50 and P10 quantities correspond to the Proved (1P), Proved + Probable (2P) and Proved + Probable + Possible (3P) confidence levels respectively if probabilistic techniques are used.
Possible Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Possible Reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable Reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P) which is equivalent to the high estimate scenario. When probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the 3P estimate.
Probable Reserves	As defined in the SPE-PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty. Probable Reserves are those additional Reserves that are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.
Prospective Resources	Those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations as defined in the SPE-PRMS.
Proved Reserves	As defined in the PRMS, an incremental category of estimated recoverable volumes associated with a defined degree of uncertainty Proved Reserves are those quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined

Term	Definition
	economic conditions, operating methods, and government regulations. If deterministic methods are used, the term reasonable certainty is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability that the quantities actually recovered will equal or exceed the estimate. Often referred to as 1P, also as “Proven”.
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial, and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorised in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status.
Working interest	A company’s equity interest in a project before reduction for royalties or production share owed to others under the applicable fiscal terms.

CORPORATE DIRECTORY

Directors	Simon Hickey - Executive Chairman John de Stefani - Chief Executive Officer and Managing Director Keith Skipper - Non-Executive Director Stephen Bizzell - Non-Executive Director Garry Marsden- Non-Executive Director
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