
ENEABBA GAS LIMITED

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NOTICE OF GENERAL MEETING

**The General Meeting of the Company will be held at
Ground Floor, 16 Ord Street, West Perth WA 6005
on 9 May 2016 at 10.00 am (AWST)**

This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9482 0555.

ENEABBA GAS LIMITED

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NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of shareholders of Eneabba Gas Limited (**Company**) will be held at Ground Floor, 16 Ord Street, West Perth WA 6005 on 9 May 2016 at 10.00 am (AWST) (Meeting).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum, prospectus and the Proxy Form form part of this Notice. The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 7 May 2016 at 5.00 pm (AWST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 4 of this document.

A G E N D A

Resolution 1 – Approval of Equal Reduction of Capital

To consider and, if thought fit, to pass, the following Resolution as an ordinary resolution:

"That, for the purposes of section 256B and section 256C(1) of the Corporations Act, and for all other purposes, approval is given for the Company to reduce the share capital of the Company by the Company making a pro rata in specie distribution of the UIL Consideration Shares to Eligible Shareholders, on the terms and conditions set out in the Explanatory Memorandum".

Resolution 2 – Approval for issue of Ocean Hill Acquisition Shares

To consider and, if thought fit, to pass with or without amendment, the following resolution as an ordinary resolution:

"That, for the purpose of Listing Rule 7.1 and for all other purposes, Shareholders authorise the Company to issue up to 40,000,000 Shares to Black Rock Mining Limited (and/or its nominee) on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Black Rock Mining Limited and its nominee and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by the person as proxy for a person who is entitled to vote, in accordance with directions on the Proxy Form; or
- (b) it is cast by the Chairman as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated 7 April 2016

BY ORDER OF THE BOARD



Barnaby Egerton-Warburton
Managing Director

ENEABBA GAS LIMITED

ACN 107 385 884

EXPLANATORY MEMORANDUM

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the General Meeting of Eneabba Gas Limited. The Directors recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions. Shareholders should read the full text of this Explanatory Memorandum and, if in any doubt, should consult with their professional advisers.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a "proxy") to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions provided. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Terms and abbreviations used in this Explanatory Memorandum are defined in Schedule 4.

1. OVERVIEW OF DISPOSAL OF INTEREST IN GCC METHANE PTY LTD AND OCEAN HILL PTY LTD AND IN SPECIE DISTRIBUTION

1.1 Background to the Distribution

Eneabba owns 100% of the share capital of Ocean Hill Pty Ltd (**OHPL**) and 100% of the share capital of GCC Methane Pty Ltd (**GCC**). OHPL holds an agreement with Black Rock Mining Limited (ASX:BLK) (**Black Rock**) for the acquisition of 100% of the 'Ocean Hill' exploration permit application (STP EPA 0090) (the **Ocean Hill Project**). GCC holds a 50% interest in exploration permit EP 447, with the remaining 50% interest in EP 447 owned by UIL Energy Limited (ASX:UIL) (**UIL**).

On 25 February 2016, the Company announced that it had entered into a conditional sale and purchase agreement (**Sale Agreement**) with UIL pursuant to which the Company has agreed to sell and UIL has agreed to purchase the entire issued capital of OHPL and GCC, as further described in Section 1.2.

It is proposed that subject to Shareholder approval, the Company make an in specie pro rata distribution of the UIL Consideration Shares to the Shareholders following completion of the Sale Agreement (**Distribution**).

1.2 Summary of the Sale Agreement

Pursuant to the Sale Agreement, the Company has agreed to sell and UIL has agreed to acquire 100% of the issued capital of OHPL and GCC (together the **Sale Companies**).

Consideration

The consideration for the Sale Companies is the issue to the Company of:

- (a) 55,000,000 Class A Convertible Preference Shares in the issued capital of UIL (**UIL Class A Convertible Preference Shares**).
- (b) 35,000,000 Class B Convertible Preference Shares in the issued capital of UIL (**UIL Class B Convertible Preference Shares**).

(together, the **UIL Consideration Shares**).

The UIL Class A Convertible Preference Shares are convertible preference shares with limited voting rights which will automatically convert into UIL Shares (fully paid ordinary shares in the capital of UIL) on the basis of one UIL Share for each UIL Class A Convertible Preference Share on the business day after the Distribution.

The UIL Class B Convertible Preference Shares are convertible preference shares with limited voting rights which will automatically convert into UIL Shares on the basis of one UIL Share for each UIL Class B Convertible Preference Share on the business day after the Ocean Hill No 2 Well is considered a Success (as defined in the terms of the UIL Class B Convertible Preference Shares). In summary "Success" means:

- (a) if the Well encounters gas sands and on a production test the Well produces gas and/or gas liquids at:
 - (i) equal to or greater than 5 million standard cubic feet per day (without drawdown); or
 - (ii) less than 5 million standard cubic feet per day (without drawdown) but an expert provides an opinion that the results of the production test justifies the undertaking of further drilling of the Ocean Hill structure; and
- (b) a qualified expert provides a written opinion 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.

The full terms and conditions on which the UIL Consideration Shares will be issued are in Parts 1 and 2 of Schedule 2.

Requirement for In Specie Distribution of UIL Shares

Under the Sale Agreement, the Company is required, subject to obtaining shareholder approval, to make an in specie distribution of all of the UIL Consideration Shares to Shareholders within 10 business days of completion of the Sale Agreement.

Conditions to completion of the Sale Agreement

Completion under the Sale Agreement is conditional upon:

- (c) OHPL becoming the sole registered and beneficial owner of an exploration permit over the area covered by EPA 0090;
- (d) The issue of the exploration permit in respect of the Ocean Hill Block, being EPA 0090, and completion of the Permit Sale Agreement between OHPL and Black Rock occurring;
- (e) Lodgement by the Company of a Prospectus for the in specie distribution of the UIL Consideration Shares in accordance with the Corporations Act and ASIC policy;
- (f) The issue and provision by ASIC and ASX of all consents, waivers or approvals, and the performance by ASIC and ASX of all other acts necessary, or which UIL considers desirable to implement the transactions contemplated by the Sale Agreement, including the approval of the terms of the Considerations Shares to the extent required pursuant to the Listing Rules;

- (g) Black Rock providing a deed poll in favour of OHPL, pursuant to which Black Rock agrees to assign to OHPL the native title agreements in respect of the Ocean Hill Project;
- (h) UIL obtaining shareholder approval of the transactions contemplated by the Sale Agreement including approval of the issue of the UIL Consideration Shares under Listing Rule 7.1 and approval of the terms of the UIL Consideration Shares under section 254A of the Corporations Act; and
- (i) Shareholder approval of the Distribution pursuant to sections 256B and 256C of the Corporations Act. Resolution 1 seeks this approval.

The prospectus for the Distribution is attached to this Notice.

Escrow

The Company will procure on a best endeavours basis, that the top 10 Shareholders and related party holdings of ENB, execute a voluntary escrow deed for the limitation of disposal of the UIL Consideration Shares to be received by them pursuant to Resolution 1, until the earlier of 6 months from the date of issue of the UIL Consideration Shares or 1 month prior to the scheduled spud date of any well drilled by UIL.

In addition, certain related parties of the Company will also be required to provide a restriction agreement to the ASX in accordance with the Listing Rules agreeing to their UIL Consideration Shares being escrowed for a period of 12 months from the date of issue.

Representations and warranties

The Sale Agreement contains standard commercial representations and warranties regarding the Sale Companies and their assets and businesses given by the Company in favour of UIL.

Appointment of Director and Executive

On completion of the Acquisition, Mr Garry Marsden will be appointed a non-executive director of UIL and Mr Barnaby Egerton-Warburton will be appointed the Head of Business Development of UIL.

Off-take Rights

The Company will have the right of first refusal to purchase any gas that is produced on the Ocean Hill Project or EP 447 on commercial terms.

1.3 Shareholder Approval for the Equal Reduction of Capital

Pursuant to Resolution 1, the Company is seeking Shareholder approval to make an equal reduction of capital by distributing the UIL Consideration Shares in-specie directly to Shareholders following completion of the Sale Agreement. Shareholders will continue to hold an indirect interest in the Projects by virtue of holding the UIL Consideration Shares.

1.4 The Projects

Overview of the Ocean Hill Project

The Ocean Hill Project (EPA0090) comprises approximately 297 km² and is located in the North Perth Basin, about 225 km north of Perth and 90 km southeast of the midwest town of Dongara.

The block area contains a large faulted four-way dip closure that was tested by drilling of the Ocean Hill-1 well in 1991. The well reached a total depth of 3,840m in the Jurassic Cattamarra Coal Measures before being suspended as an uneconomic gas discovery. Good gas shows were encountered in the Jurassic Cadda Formation and Cattamarra Coal Measures over the entire interval of over 800m from about 3,000m to total depth, and analysis of the electric logs indicated over 100m of net gas pay within multiple sands through the zone. An open hole drill stem test flowed gas at a rate of 0.7MMscf/d from the interval 3,063-3130mKB in the Cadda Formation with associated liquids of 15-23 bbl/MMcf.

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Mapping and re-evaluation of the available 2D seismic data by Black Rock indicates the presence of a substantial closure associated with the Ocean Hill-1 well location and a number of additional prospects and leads have been identified. Historical seismic data at Ocean Hill was acquired between 1961 and 1996, with the majority being acquired in 1989.

The Ocean Hill discovery demonstrates similar geological setting to the Gingin Gas Field and Red Gully Gas Project, where Empire Oil & Gas NL commenced production in late 2013.

The Company has entered into a farm-in agreement with Finder No 6 Pty Ltd (a wholly owned subsidiary of Finder Exploration Pty Ltd) (**Finder**) covering the Ocean Hill Project. Under the agreement, Finder has agreed to fund a two stage work program totalling up to \$15,000,000 at the Ocean Hill Project to earn an 85% interest in the Ocean Hill Project. This farm-in arrangement will stay in existence following completion of the sale of the Sale Companies.

Overview of EP 447

EP 447 covers approximately 1,100 km² in the central Perth Basin and includes the formerly producing Walyering Gas Field. The Company holds a 50% interest in EP 447 and UIL holds the remaining 50% interest. UIL is the operator of this project.

2D seismic coverage of EP 447 consists of UIL's 2013 Badgingarra 2D seismic survey, heritage, 1970s data acquired by West Australian Petroleum Pty Ltd and 1990s data acquired by Discovery Petroleum. The Badgingarra survey covered 215 square kilometres. Recent seismic interpretations of this seismic data has identified two fault blocks collectively called the Coomallo East Prospect.

1.5 Advantages and disadvantages of the Distribution

The Directors are of the view that the following non-exhaustive list of advantages and disadvantages may be relevant to a Shareholder's decision on how to vote on Resolution 1:

Advantages

- a. Shareholders will retain their current shareholding in Eneabba and also receive a proportional share in UIL. The value of the UIL Consideration Shares to be received by Shareholders depends on whether the UIL Class B Convertible Preference Shares are ultimately converted to UIL Shares or redeemed for their face value. Therefore two scenarios for the valuation of the UIL Consideration Shares are provided as follows:-

Valuation	Class A UIL Convertible Preference Shares ⁽³⁾	Class B UIL Convertible Preference Shares	Total	Value of UIL Consideration per Eneabba share
Scenario 1 ⁽¹⁾	\$3,025,000	\$1,925,000	\$4,950,000	1.64 cents
Scenario 2 ⁽²⁾	\$3,025,000	Nil	\$3,025,000	1.01 cents

(1) This valuation scenario assumes that the success milestone for the automatic conversion of UIL Class B Convertible Preference Shares into UIL Shares is met and the UIL Class B Convertible Preference Shares are fully converted into UIL Shares on the basis of 1:1. The 35 million UIL Class B Convertible Preference Shares are valued at 5.5 cents per UIL Class B Convertible Preference Share, being the last closing price for UIL ordinary shares traded on the ASX on the date of this Notice of Meeting.

(2) This valuation scenario assumes that the success milestone for the automatic conversion of UIL Class B Convertible Preference Shares into UIL Shares is not met and the UIL Class B Convertible Preference Shares are redeemed for a nominal value of \$0.000001 each. UIL Class B Convertible Preference Shares are ascribed a nil value under this valuation scenario.

(3) The 55 million Class A UIL Convertible Preference Shares are valued at 5.5 cents per UIL Class A Convertible Preference Share, being the last closing price for UIL Shares traded on the ASX on the date of this Notice of Meeting.

(4) The value per Share of the UIL Consideration Shares is calculated based on the Company having 300,979,312 Shares on issue, which assumes the issue of the 40,000,000 Ocean Hill Shares to Black Rock the subject of Resolution 2 and that no Options are exercised.

- b. Following the Distribution, Eneabba will be focussed upon realising value from its Centauri-1 power station and land asset, as well as identifying other opportunities in the energy sector, and across all other sectors, without ongoing exposure to the potential risks and costs of the Projects.
- c. The Projects will be combined with UIL's portfolio of Perth Basin permits, including EP 488 and EP 489 which are contiguous with EP 447, which provides synergies in terms of knowledge and experience held by UIL, to be applied to the development of the Projects, as well as providing economies of scale in terms of corporate costs being applied across a broader base of permits. The next step for the Ocean Hill Project, if necessary is to find another partnering arrangement to fund development of the project. The next step for EP 447 is to undertake a 130km 2D seismic program in 2016, subject to receiving all statutory, landowner and heritage approvals, to firm up exploration leads on the project.

Disadvantages

- a. A larger portfolio of projects held by UIL may reduce the resources and management focus assigned to the development of the Projects, relative to that provided by the Company currently.
- b. Shareholders will no longer have control of the Projects and their future development and will have a diluted interest in the Projects through their shareholding in UIL.
- c. The UIL Class B Convertible Preference Share will be non-transferable until they convert into UIL Shares. Accordingly Shareholders will not get the economic benefit until certain identified performance milestones are satisfied.

1.6 Future of the Company following successful completion of the Distribution

Following completion of the Distribution, the Company will focus on realising value from its Centauri-1 power station and land asset, as well as identifying other opportunities in the energy sector, and across all other sectors, to enhance Shareholder value.

1.7 Future of the Company if the Distribution does not proceed

In the event Shareholders do not approve the Distribution, the Company will retain the Projects and deal with them as follows:

- (a) proceed with a partnering arrangement to fund development of the Ocean Hill Project;
- (b) Continue development of EP 447 in conjunction with its 50% partner, UIL, continuing with a planned 2D seismic acquisition program in 2016.

1.8 Directors' Recommendation

After considering all relevant factors, the Directors unanimously recommend the Shareholders vote in favour of Resolution 1 for the following reasons:

- (a) after a full and proper assessment of all available information they believe that the proposed Distribution of the UIL Consideration Shares following the sale of the Sale Companies is in the best interests of the Shareholders and the Company;
- (b) in the opinion of the Directors, the advantages of the Distribution outweigh its disadvantages as set out in Section 1.5; and
- (c) the Directors are satisfied that the Distribution is the best option available to realise the value of the Sale Companies in the current circumstances of the Company.

Resolution 1 is an ordinary resolution.

2. Resolution 1 - Approval of Equal Reduction in Capital

2.1 General

As set out in Section 1.1 the Company has entered into the Sale Agreement pursuant to which the Company has agreed to sell, and UIL has agreed to purchase, the Sale Companies.

Upon settlement of the Sale Agreement, UIL will issue to the Company the UIL Consideration Shares comprising 55,000,000 UIL Class A Convertible Preference Share, and 35,000,000 UIL Class B Convertible Preference Share. Subject to the passing of Resolution 1, the Company proposes to make a pro rata distribution of all of the UIL Consideration Shares to its Shareholders pursuant to an equal reduction of capital (**Distribution**).

Based on the number of Shares currently on issue (260,979,312) and including the 40,000,000 Ocean Hill Acquisition Shares the subject of Resolution 2 proposed to be issued to Black Rock, the Company will have 300,979,312 Shares on issue, and each of the Company's Shareholders will receive approximately 1 UIL Class A Convertible Preference Share for every 5.47 Shares held on the Record Date and 1 UIL Class B Convertible Preference Share for every 8.59 Shares held on the Record Date (rounded down to the nearest whole Share).

The proposed Distribution will give Shareholders approximately:

- (c) a 33.73% equity interest (collectively) in UIL following completion of the Distribution and conversion of the UIL Class A Convertible Preference Share (which will occur on the business day following completion of the Distribution); and
- (d) a 45.45% equity interest (collectively) in UIL assuming that the milestones for the UIL Class B Convertible Preference Share are met and the UIL Class B Convertible Preference Share have converted into UIL Shares,

(assuming UIL does not issue any UIL Shares other than as contemplated in this Notice).

Relevant general information in respect of the Distribution is set out in Section 1. In addition, the following specific information is provided.

2.2 Timetable

The anticipated timetable for the capital reduction and in specie distribution is set out below. The timetable is dependant on the timing of completion of the Acquisition and the final timetable will be released to the ASX once it is know:

Prospectus and Notice of Meeting lodged with ASIC/ASX	7 April 2016
Despatch of Prospectus and Notice of Meeting to approve the capital reduction	8 April 2016
General Meeting to approve the capital reduction and the Company notifies the ASX that the Shareholders have approved Resolution 1	9 May 2016
Completion of the acquisition of the Ocean Hill Project from Black Rock	6 June 2016
Completion of the sale of the Sale Companies	13 June 2016
Ex-date for the capital reduction – the date on which Shares commence trading without the entitlement to participate in the distribution	14 June 2016
Record Date for capital reduction	15 June 2016
Completion of the Distribution of UIL Consideration Shares to Shareholders	22 June 2016
Date holding statements for the UIL Consideration Shares are sent to Shareholders	22 June 2016
Conversion of UIL Class A Convertible Preference Shares	23 June 2016
Date holding statements for the UIL Shares issued on conversion of UIL Class A Convertible Preference Shares are sent to Shareholders	23 June 2016

The timetable above (other than the date of the General Meeting) is indicative only, and may be changed at the discretion of the Directors (subject to the Listing Rules) or as required by ASX.

2.3 UIL Consideration Shares not listed

The UIL Consideration Shares will not be listed on the ASX or any other securities exchange.

2.4 Requirements under section 256B and section 256C of the Corporations Act

The in-specie distribution of the UIL Consideration Shares to Eligible Shareholders by way of capital reduction is an equal reduction of capital under the Corporations Act. Under section 256C of the Corporations Act, an equal reduction must be approved by an ordinary resolution passed at a general meeting of the Company.

Section 256B of the Corporations Act provides that the Company may only reduce its share capital if the reduction:

- (a) is fair and reasonable to the Shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by Shareholders under section 256C of the Corporations Act.

For the reasons set out in this Explanatory Memorandum, the Directors are of the view that the proposed capital reduction is fair and reasonable to Shareholders and that the reduction of capital will not prejudice the Company's ability to pay its creditors.

2.5 The effect of the proposed equal reduction of capital on the Company

If the Distribution is approved, the share capital and net assets of the Company will be reduced by the value of the UIL Consideration Shares held by the Company. A valuation of the UIL Consideration Shares as at the date of this Notice of Meeting is provided at section 1.5 of this Explanatory Memorandum.

The value of the UIL Consideration Shares, and therefore the reduction in the share capital and net assets of the Company, is calculated based upon the quoted price per UIL Share on the ASX which is likely to change between the date of this Notice of Meeting and the date of the Distribution. Subject to passing of Resolution 1, the Company will advise Shareholders of the value of the reduction of capital per Share as at the date of the Distribution.

A pro forma balance sheet of the Company as at 31 December 2015 is contained in Part 1 of Schedule 1 which shows the financial impact of the capital reduction on the Company (assuming that no further Shares are issued other than the Ocean Hill Acquisition Shares).

2.6 The effect of the proposed equal reduction of capital on Shareholders

The UIL Consideration Shares will be distributed to Eligible Shareholders on a pro-rata basis, with fractional entitlements to be rounded down to the nearest whole UIL Consideration Share. Eligible Shareholders will not be required to pay any additional consideration for the UIL Consideration Shares. The terms of the capital reduction are the same for each Eligible Shareholder (subject to section 2.10 of this Explanatory Memorandum).

As at the date of this Notice of Meeting, the Company has 260,979,312 Shares on issue. No additional Shares will be issued as a result of the Distribution. The Company proposes to issue the 40,000,000 Ocean Hill Shares to Black Rock, subject to shareholder approval pursuant to Resolution 2. Assuming Ocean Hill Acquisition Shares are issued and no Options are exercised, the Company will have 300,979,312 Shares on issue as at the Record Date.

The Directors propose to distribute 55 million UIL Class A Convertible Preference Share and 35 million UIL Class B Convertible Preference Shares to the Eligible Shareholders on the Record date. Based on 300,979,312 Shares being on issue on the Record Date, the ratio for distribution will be 1 UIL Class A Convertible Preference Share for every 5.47 Shares held by Eligible Shareholders on the Record Date and 1 UIL Class B Convertible Preference Share for every 8.59 Shares held by Eligible Shareholders on the Record Date.

If any existing Options are exercised prior to the Record Date, this will impact on the number of UIL Consideration Shares distributed. A summary of the financial impact of the capital reduction is set out in Part 1 of Schedule 1 which shows a pro forma balance sheet of the Company as at 31 December 2015.

The number of Shares held by Shareholders will not change, and Shareholders will retain their current percentage shareholding interest in the Company, after the Distribution. However, if the Distribution is implemented, the book value of the Shares will be less than the book value of the Shares held prior to the Distribution because, after the Distribution, the Company will not retain an interest in the Projects. The decrease in book value per Eneabba Share, based on the Company having 300,979,312 Shares on issue as described above, is equal to the valuation of the UIL Consideration Shares, which is provided at Section 1.5 of this Explanatory Memorandum. The rights attaching to Shares will not be altered by the Distribution.

A general guide to the taxation implications of the capital reduction is set out in Section 2.16 of this Notice. The description is expressed in general terms and is not intended to provide taxation advice in respect of the particular circumstances of any Shareholder. Shareholders should obtain professional advice as to the taxation consequences of the capital reduction in their specific circumstances.

Given the capital reduction is equal and the Company will still have positive net assets following the Distribution the Directors consider the capital reduction is fair and reasonable to Shareholders as a whole.

2.7 The effect of the proposed equal reduction of capital on Optionholders

In order to receive UIL Shares pursuant to the Distribution, Option holders must exercise their Options and be registered on the Company's share register on the Record Date.

In accordance with the terms and condition of the existing Options, the number of Options on issue following the Distribution will remain the same, but the exercise price of each Option will be reduced by the amount of capital returned in relation to each Share. The value of the return of capital per Share as at the date of this Notice of Meeting is provided at section 1.5 of this Explanatory Memorandum. However the value of the return of capital per Share is based upon the quoted price per UIL Share on the ASX which is likely to change between the date of this Notice of Meeting and the date of Distribution. Subject to Shareholders passing Resolution 1, the Company will update Shareholders of the value of the return of capital per Share as at the date of the Distribution and the impact on the exercise price of each Option remaining on issue at the time of completion of the Distribution.

As of the date that the Distribution becomes effective the Company will have the following unlisted Options on issue:

Number of Options	Exercise Price Pre Distribution	Indicative Exercise Price Post Distribution ⁽¹⁾	Expiry
14,700,000	2 cents	0.99 cents	30 June 2017
7,000,000	6 cents	4.99 cents	16 November 2018
2,000,000	6 cents	4.99 cents	16 November 2018
7,000,000	8 cents	6.99 cents	16 November 2016
2,000,000	8 cents	6.99 cents	16 November 2018

(1) The reduction in the exercise price of unlisted options on issue as at the date of this Notice of Meeting is calculated based on the quoted UIL Share price on the ASX as at the date of this Notice of Meeting, with the value of the capital reduction detailed at valuation scenario 2 at section 1.5, being a total of \$3,025,000. This capital reduction value is likely to change at the date of Distribution which will affect the reduction in the exercise price of unlisted options on issue.

2.8 Capital Structure of the Company

Below is a table showing the Company's capital structure pre and post the sale of the Sale Companies and the Distribution and the issue of the Ocean Hill Acquisition Shares (assuming none of the Options are exercised).

Company Securities	Shares	Options
Balance at the date of this Notice	260,979,312	32,700,000*
Issue of Ocean Hill Acquisition Shares as consideration for the Ocean Hill Project pursuant to Resolution 2**	40,000,000	-
Balance following completion of the Distribution and the issue of the Ocean Hill Acquisition Shares	300,979,312	32,700,000*

* Comprises:

- 14,700,000 unlisted options each exercisable at 2 cents on or before 30 June 2017;
- 7,000,000 unlisted options each exercisable at 6 cents on or before 16 November 2018;
- 2,000,000 unlisted options each exercisable at 6 cents on or before 16 November 2018 and vesting upon various milestones;
- 7,000,000 unlisted options each exercisable at 8 cents on or before 16 November 2016 and vesting on 16 September 2016;
- 2,000,000 unlisted options each exercisable at 8 cents on or before 16 November 2018 and vesting upon various milestones.

** Refer to Section 3 for details of the Ocean Hill Acquisition Shares.

2.9 Capital Structure of UIL Energy Ltd

Below is a table showing the capital structure of UIL pre and post Distribution (assuming none of the UIL Options are exercised). The UIL Class A Convertible Preference Shares have been included as UIL Shares in the table below on the basis that the UIL Class A Convertible Preference Shares will convert into UIL Shares on the business day after the Distribution occurs.

	UIL Shares	UIL Options	Performance Rights	UIL Class B Convertible Preference Share
Balance at the date of this Notice	108,023,755 ⁽¹⁾	25,804,959 ⁽²⁾	1,000,000 ⁽³⁾	Nil
Balance following completion of the Distribution	163,023,755 ⁽¹⁾⁽⁴⁾	25,804,959 ⁽²⁾	1,000,000 ⁽³⁾	35,000,000

(1) Details of the UIL Shares on issue are as follows:-

- (a) 80,828,432 Quoted ordinary shares
- (b) 27,195,323 Unquoted ordinary shares

(2) Details of the UIL Options are as follows:-

- (a) 15,804,959 Unlisted UIL Options each exercisable at 24 cents on or before 31 December 2018
- (b) 6,000,000 Unlisted UIL Options each exercisable at 30 cents on or before 30 June 2017
- (c) 2,000,000 Unlisted UIL Options each exercisable at 24 cents on or before 31 December 2016
- (d) 2,000,000 Unlisted UIL Options each exercisable at 25 cents on or before 31 December 2018

(3) UIL Performance Rights do not have an exercise price and proportionally vest upon the achievement of market based and retention based criteria by the vesting date of 18 August 2016. The Performance Rights expire on 18 August 2021

(4) Includes 55,000,000 UIL Shares which will be issued upon conversion of the UIL Class A Convertible Preference Shares as this conversion will occur on the business day after the Distribution occurs.

2.10 Overseas Shareholders

Distribution of the UIL Consideration Shares to Overseas Shareholders pursuant to the Distribution will be subject to the legal and regulatory requirements in the relevant overseas jurisdiction.

If, in the opinion of the Directors, the requirements of any jurisdiction where an Overseas Shareholder is resident restricts or prohibits the distribution of UIL Consideration Shares as proposed or would impose on the Company an undue obligation or burden, the UIL Consideration Shares to which the relevant Overseas Shareholders would otherwise be entitled will be sold by the Company on behalf of those Shareholders as soon as practicable after the Record Date. The Company will then account to the relevant Shareholders for the net proceeds of the sale after deducting the costs and expenses of the sale.

The net proceeds of sale to be distributed to the relevant Overseas Shareholders may be more or less than the notional dollar value of the UIL Consideration Shares as set out in this Notice.

2.11 Directors' interests

Set out in the table below are details of Directors' relevant interests in the Securities of the Company at the date of this Notice and the UIL Class A Convertible Preference Shares and UIL Class B Convertible Preference Shares that they are likely to receive if Resolution 1 is passed based on their current holding of Shares:

Director	Eneabba Shares held	Eneabba Options held	Entitlement to UIL Class A Convertible Preference Share	Entitlement to UIL Class B Convertible Preference Share
Mr Garry Marsden	500,000	1,500,000 ⁽¹⁾ 1,500,000 ⁽²⁾	91,368	58,144
Mr Barnaby Egerton-Warburton	2,083,333	3,000,000 ⁽¹⁾ 2,000,000 ⁽³⁾ 3,000,000 ⁽²⁾ 2,000,000 ⁽⁴⁾	380,702	242,265
Mr Thomas Goh	9,000,000	1,000,000 ⁽¹⁾ 1,000,000 ⁽²⁾	1,644,631	1,046,584
Mr Morgan Barron	5,640,807	1,000,000 ⁽¹⁾ 1,000,000 ⁽²⁾	1,030,783	655,953
Total	17,224,140	17,000,000	3,147,484	2,002,946

- (1) Each exercisable at 6 cents on or before 16 November 2018
(2) Each exercisable at 8 cents on or before 16 November 2018, vesting on 16 September 2016
(3) Each exercisable at 6 cents on or before 16 November 2018, vesting upon achieving certain vesting milestones
(4) Each exercisable at 8 cents on or before 16 November 2018, vesting upon achieving certain vesting milestones

Mr Barnaby Egerton-Warburton holds 50,000 UIL Shares. None of the other Directors have an interest in any securities in UIL at the date of this Notice.

2.12 Directors' remuneration

In accordance with the Constitution, the Board of the Company has resolved that each executive director is entitled to receive fees of \$40,000 per annum (plus superannuation) and the executive Chairman receive fees of \$60,000 per annum (plus superannuation).

Mr Barnaby Egerton-Warburton currently receives a salary of \$160,000 per annum, which may rise to \$200,000 upon meeting performance based milestones, plus statutory superannuation for his role as Managing Director.

The table below sets out the remuneration provided to the Directors of the Company and their associated companies during the half year to 31 December 2015 (audit reviewed) as well as for the financial years ended 30 June 2015 and 30 June 2014 (audited):

Directors	Year	Salary & Fees \$	Bonus and other Payments \$	Superannuation \$	Share Based Payments \$	Total \$
Mr Garry Marsden	Dec 15	30,000	-	2,850	26,372**	59,222
	June 15	12,000	-	1,140	-	13,140
	June 14	-	-	-	-	-
Mr Barnaby Egerton-Warburton	Dec 15	82,750	-	7,861	81,448**	172,059
	June 15	72,825*	-	2,447	-	75,272
	June 14	-	-	-	-	-
Mr Thomas Goh	Dec 15	20,000	-	1,900	17,581**	39,481
	June 15	40,000	-	3,800	-	43,800
	June 14	40,000	-	3,700	-	43,700
Mr Morgan Barron	Dec 15	20,000	-	1,900	17,581**	39,481
	June 15	40,000	-	3,800	-	43,800
	June 14	40,000	-	3,700	-	43,700

* Mr Egerton-Warburton was appointed a Director on 4 March 2015 and received payments in regards to directors' fees of \$13,011 and consulting fees of \$59,714 during the 2015 Financial Year in accordance with a consulting agreement between the Company and Mr Egerton-Warburton.

** Share based payments relate to the issue of options to Directors as approved by shareholders on 10 November 2015. The value of the share based payments was calculated using a Black-Scholes model formula, with a risk free rate of 2.06% and a share price volatility of 90%.

It is proposed that Mr Garry Marsden will become a non-executive director of UIL on completion under the Sale Agreement and will receive director fees of \$36,000 per annum (inclusive of any superannuation) for this role. In addition, it is proposed that Mr Barnaby Egerton-Warburton will become the Head of Business Development for UIL on completion under the Sale Agreement and will receive a salary of \$160,000 (inclusive of any superannuation) for this role.

2.13 Information on UIL Energy Ltd

(a) Overview

UIL is primarily focused on exploration and development of conventional and unconventional Perth Basin gas projects. UIL owns permits with an area over 0.6 million gross acres (approximately 2,558km²) that UIL believe have significant gas potential, with multiple leads identified. UIL's exploration portfolio also has pipeline infrastructure in place or in close proximity.

UIL maintains operatorship of all of its permits to provide maximum flexibility in the development of potential farm out and funding arrangements.

UIL currently has 108,023,755 UIL Shares on issue.

Following completion of the Distribution (assuming no UIL Options are exercised and the UIL Class A Convertible Preference Shares are converted to UIL Shares), UIL will have 163,023,755 UIL Shares on issue. Of these UIL Shares, Shareholders will hold approximately 34%.

Following conversion of the UIL Class B Convertible Preference Shares into UIL Shares (assuming no UIL Options are exercised), UIL will have 198,023,755 UIL Shares on issue. Of these UIL Shares, Shareholders will hold approximately 45%.

(b) UIL's Gas Projects

Central Perth Basin

UIL's central Perth Basin permits comprise EP 447, EP 488 and EP 489.

UIL identified the potential for conventional and unconventional gas discoveries in the central Perth Basin following a review of the southern portion of the onshore Perth Basin, along the margins of, and within the Dandaragan Trough. Conventional potential has been known since 1971, when the Walyering-1 well discovered gas. Subsequent wells in the field confirmed complex geology, but also indicated that deep unconventional potential might exist. UIL and its consultants analysed this data further and confirmed that over-pressuring appears to be occurring in the depths of the Dandaragan Trough. Over-pressuring and associated gas flows are key ingredients of Basin Centered Gas Accumulations. These accumulations tend to be laterally extensive and can be very large.

An independent geological assessment by McDaniels & Associates of the Basin Centered Gas Accumulation, encompassing only parts of EP 447, EP 488 and EP 489 led to an initial definition of Prospective Resources covering the Cattamarra Coal Measures. This resource estimate is provided in the Schedule 4.

UIL is planning to undertake a 2D seismic program of up to 264km across its three central Perth Basin permits to upgrade the nine conventional exploration leads already identified within its permits. These leads are interpreted to contain potentially gas and gas/liquids, and are primarily Jurassic in age, comprising the Cattamarra Coal Measures and the Triassic Kockatea Shale formations.

Northern Perth Basin

UIL's northern Perth Basin permits comprise EP 82, EP 98 and EP 99. These permits lie to the south west of AWE's recent Waitsia gas field discoveries. Future exploration will focus on the assessment of the Kockatea Shale and Carynginia formation across the western side of the southern and northern permits and the Cattamarra Coal Measures on the eastern side of the permits. The Kockatea Shale is widely recognised as the major source rock of the northern part of the Perth Basin.

The Eneabba-1 well which was drilled adjacent to EPA-82 in 1961 encountered gas shows through the Kockatea Shale and Carynginia Formation. The thickness of the Kockatea Shale formation in this and other nearby wells ranged from 300m to 800m. Other nearby wells include Arrowsmith-2 drilled by AWE, which is located 20km to the west of EPA-82 and EPA-98. No wells have been drilled on UIL's northern Perth Basin permits.

A technical review of historic 2D seismic data along with historical adjacent drilling, which was completed in January 2015, identified five conventional leads across UIL's northern Perth Basin permits, which are in addition to existing unconventional leads.

Further information in relation to UIL's Gas Projects is set out in Schedule 4.

- (c) Future strategy and plans
- (d) UIL is primarily focused on the onshore Perth Basin and is targeting gas and liquids plays in two separate areas. UIL maintains a high equity position in all its permits providing maximum flexibility in securing potential farm out and funding arrangements. UIL is looking to maximise shareholder value through further consolidation of assets in the Perth Basin and explore its prospects with the aim of securing a suitable partner for development. Board & Management of UIL

The Board of UIL is comprised of the following persons:

Mr Simon Hickey - Executive Chairman

Mr Simon Hickey is the founder and Chairman of UIL Energy. Mr Hickey 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, Mr Hickey 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 is a member of the Audit and Risk Management Committee.

Mr John de Stefani – Chief Executive Office and Director

Mr John de Stefani was appointed as the Chief Executive Office of UIL in April 2012. Prior to joining UIL, Mr de Stefani was CEO of Bow Energy Ltd during its market cap growth phase from \$50m to \$550m and during its acquisition by Arrow Energy in January 2012. Prior to Bow, Mr de Stefani 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 and has a proven successful track record in project finance, business development and asset management with over eight years international energy experience working on projects in the US, UK, Egypt, Turkey and the Philippines.

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

Mr Keith Skipper – Non Executive Director

Mr Keith Skipper is a geologist, company executive and non-executive director with over 40 years of diverse industry experience. Mr Skipper holds a B.Sc. (Hons) degree in geology from Reading University (UK) and a M.S.C. (Geology) from McMaster University (Ontario, Canada).

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

Mr Skipper is an Australian citizen whose career experiences include evaluations and operations in many of the world's petroleum basins, including periods with AMOCO, Bridge Oil Limited in Sydney, Australia, PanCanadian Petroleum Limited, and Antrim Energy Inc. Mr Skipper is currently a director of publicly listed Samson Oil and Gas Limited. Mr Skipper advises and consults to various academic, financial and corporate entities on oil and gas exploration, including coal seam gas and shale resource projects.

Mr Stephen Bizzell – Non Executive Director

Mr 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. Mr Bizzell was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. Mr Bizzell was also a founding director of Bow Energy Ltd until its \$550m 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. Mr Bizzell has had considerable experience and success in the fields of corporate restructuring, debt and equity financing, and mergers and acquisitions. Mr Bizzell has over 20 years' corporate finance and public company management experience in the resources sector in Australia and Canada within various public companies.

(e) UIL's ASX waivers and applications

UIL has obtained:

- ASX approval of the terms of the UIL Class A Convertible Preference Shares and the UIL Class B Convertible Preference Shares; and
- A waiver of Listing Rule 9.1.3, to the extent necessary to permit UIL not to apply the restrictions in Appendix 9B of the Listing Rules to the Consideration Shares to be issued to Shareholders who are not related parties of UIL or the Company.

UIL will seek shareholder approval of the terms of the UIL Consideration Shares under section 254A of the Corporations Act and shareholder approval pursuant to Listing Rule 7.1 to issue the Consideration Shares to Shareholders.

2.14 Rights attaching to the UIL Consideration Shares

The UIL Consideration Shares will be issued in two classes – UIL Class A Convertible Preference Shares and UIL Class B Convertible Preference Shares.

The UIL Class A Convertible Preference Shares are convertible preference shares with limited voting rights which will automatically convert into UIL Shares on the basis of one UIL Share for each UIL Class A Convertible Preference Shares on the business day after the Distribution.

The UIL Class B Convertible Preference Shares are convertible preference shares with limited voting rights which will automatically convert into UIL Shares on the basis of one UIL Share for each UIL Class B Convertible Preference Shares on the business day after the Ocean Hill No 2 Well is considered a Success (as defined in the terms of the UIL Class B Convertible Preference Shares).

Refer to Parts 1 and 2 of Schedule 2 for the full terms and conditions on which the UIL Consideration Shares will be issued.

Refer to Part 3 of Schedule 2 for a summary of the terms and conditions of the UIL Shares that will be issued on conversion of the UIL Consideration Shares.

2.15 Risk factors

On completion of the Distribution, the Shareholders will become direct shareholders in UIL and should be aware of the general and specific risks that may affect UIL and the value of its securities. These risk factors are outlined in Schedule 3.

2.16 Tax consequences

The Australian tax consequences pertaining to Shares in the Company and associated with the Return of Capital (and the Distribution in general), may in general terms be summarised as follows:

Introduction and scope

This Section outlines the likely Australian income tax implications for certain Shareholders of the transfer by the Company to them of UIL Consideration Shares as a consequence of the Distribution.

The information outlined in this Section is limited solely to the Australian income tax implications of the Distribution for Australian residents who hold their Shares on capital account. The Section does not provide information relevant to:

- (a) Shareholders who hold their Shares on revenue account (for example, Shareholders who are share traders and certain institutional investors);
- (b) Shareholders whose Shares are subject to the employee share acquisition scheme tax rules and Shareholders who are not the beneficial owners of their Shares in the Company; and
- (c) Shareholders who are not residents of Australia for income tax purposes.

The information outlined in this Section is based on the income tax law at the date of this Notice. Any changes in the tax law or interpretation of the tax law subsequent to the date of this Notice may alter the information contained therein.

This information is not intended to provide an exhaustive or definitive statement as to all the possible tax outcomes for Shareholders, Accordingly the income tax implications for a particular Shareholder may differ from those detailed in this Section, depending on their individual circumstances. Shareholders should not rely on the information outlined in this Section as it is only general in nature. The views expressed in this Section are not intended as specific advice to Shareholders. The application of tax legislation may vary according to the individual circumstances of Shareholders.

It is recommended that all Shareholders should, in considering the implications to them of the Distribution, obtain independent tax advice regarding the income tax implications specific to their circumstances.

Summary of the Distributions

Shareholders are being asked to approve the Distribution the subject of Resolution 1. Under the Distribution, Eligible Shareholders will:

- (a) keep their existing Shares;
- (b) receive 1 UIL Class A Convertible Preference Share for every 5.47 Shares held on the Record Date (rounded down to the nearest whole Share); and
- (c) receive 1 UIL Class B Convertible Preference Share for every 8.59 Shares held on the Record Date (rounded down to the nearest whole Share).

The Distribution will be implemented by way of the Distribution (the **Distribution Entitlement**). This may consist of a return of share capital component (the **Capital Reduction Entitlement**) and possibly a dividend component (the **Distribution Dividend Entitlement**). The amount of the Distribution Entitlement of each Shareholder will be applied by the Company as the consideration of the transfer of the UIL Consideration Shares on the basis of 1 UIL Class A Convertible Preference Share for every 5.47 Shares and 1 UIL Class B Convertible Preference Share for every 8.59 Shares held on the Record Date (rounded down to the nearest whole Share).

Demerger Tax Relief

The Company considers that it is possible that the Distribution could satisfy the requirements for tax relief under Division 125 of the Income Tax Assessment Act 1997 (Cth) (Income Tax Assessment Act). The Company’s tax advisers have suggested a Class Ruling be sought from the Australian Taxation Office (ATO) to determine whether this relief applies. A class ruling request is currently being drafted and the Company is endeavouring to obtain confirmation from the ATO before the Distribution is carried out.

ATO confirmation of the tax treatment of the Distribution may or may not be received prior to completion of the Distribution. The Company intends to proceed with the Distribution, subject to Shareholder approval, regardless of the taxation outcome to the Company and Shareholders of the Distribution as advised by the ATO.

The Company therefore makes the following comments on the possible Australian income tax implications of the Distribution.

Demerger tax relief is available

The following is an overview of the Australian income tax implications that should arise as a consequence of the Distribution for an Australian resident Shareholder who holds Shares on capital account if the Distribution satisfies the requirements for Demerger tax relief under Division 125 of the Income Tax Assessment Act.

Capital Gain/Loss	<p>A capital gain will arise for a shareholder as a result of the return of capital under the Demerger to the extent that the Capital Reduction Entitlement for a Share exceeds the capital gains tax (CGT) cost base of that share. A capital loss will not arise.</p> <p>If Demerger tax relief is available for the Distribution, then in these circumstances, if a Shareholder chooses to obtain capital gains tax rollover relief for the Distribution, then any capital gain discussed above will be disregarded. This means no income tax should be payable on any capital gain that might otherwise arise under the Distribution if this choice is made.</p>
CGT Cost Base	<p>If Demerger tax relief is available for the Distribution, then in these circumstances, the CGT cost base and reduced cost base of a Share will be apportioned between the Company’s Share and the share received in UIL on the basis of the relative market value of the Company’s Share and the UIL Share immediately after the Distribution happens.</p>
Dividend	<p>If Demerger tax relief is available for the Distribution, then in these circumstances, no part of the Distribution Entitlement arising under the Distribution (including the Distribution Dividend Entitlement) should be an assessable dividend to Shareholders.</p>

As stated above, the Company considers the Distribution may satisfy the requirements for Demerger tax relief. However, the Company has not confirmed that the Distribution satisfies the requirements for Demerger tax relief under Division 125 of the Income Tax Assessment Act.

This income tax legislation includes a provision for the ATO to determine that some or all of the Distribution Entitlement is a dividend for income tax purposes. This determination can be made if the ATO

resolve the circumstances relating to the Distribution are such that the Dividend Entitlement is paid to a Shareholder in whole or part in substitution for a taxable dividend. This is despite the Distribution otherwise satisfying the requirements for Demerger tax relief. The portion of the Distribution that may be held to be a dividend by the ATO may be greater than the Dividend Entitlement.

Demerger tax relief is not available

The following is an overview of the Australian income tax implications that should arise as a consequence of the Distribution for an Australian resident Shareholder who holds Shares on capital account if the Distribution does not satisfy the requirements for Demerger tax relief under Division 125 of the Income Tax Assessment Act.

Capital Gain/Loss	A capital gain will arise for a Shareholder as a result of the return of capital under the Distribution to the extent that the Capital Reduction Entitlement for a Share exceeds the CGT cost base of that share. A capital loss will not arise. This will be the case unless a portion of the Capital reduction Entitlement is held by the ATO to constitute a dividend required to be included in a Shareholders assessable income, see below.
CGT Cost Base	The CGT cost base and reduced cost base of a Share would be reduced (but not below nil) by the Capital Reduction Entitlement. The CGT cost base of the UIL shares would be equal to the Distribution Entitlement.
Dividend	The Distribution Dividend Entitlement would be an assessable dividend to Shareholders. In addition, the ATO may hold that a portion of the Capital Reduction Entitlement should be regarded as a dividend and included in a Shareholder's assessable income.

2.17 Lodgement with ASIC

The Company has lodged with the ASIC a copy of this Notice of Meeting and the Explanatory Memorandum in accordance with section 256C(5) of the Corporations Act. The Company has also lodged with ASIC a copy of the Prospectus that accompanies this Notice of Meeting at the same time the Notice of Meeting was lodged with ASIC.

The ASIC and its officers take no responsibility for the contents of this Notice or the merits of the transaction to which this Notice relates.

2.18 Disclosure to the ASX and ASIC

The Company and UIL are disclosing entities under the Corporations Act and are subject to regular reporting and disclosure obligations under both the Corporations Act and the Listing Rules of ASX.

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

2.19 No Financial Product Advice

This document does not constitute financial product or investment advice, nor a recommendation in respect of the UIL Consideration Shares. It has been prepared without taking into account the objectives, financial situation or needs of Shareholders or other persons. Before deciding how to vote or act Shareholders and others should consider the appropriateness of the information having regard to their own objectives, financial situation and needs and seek legal, taxation and financial advice appropriate to their jurisdiction and circumstances.

Neither the Company nor UIL is licensed to provide financial project advice. No cooling-off regime applies in respect of the acquisition of UIL Shares under the In Specie Distribution (whether the regime is provided for by law or otherwise).

2.20 Other Legal Requirements

Under ASIC Regulatory Guide 188, an invitation to Shareholders to vote on Resolution 1 for the in specie distribution of UIL Consideration Shares to Shareholders is considered by ASIC to constitute an offer of securities under Chapter 6D of the Corporations Act and accordingly a prospectus is required unless an exemption applies. As no exemption applies, the Company has prepared a prospectus that contains information in relation to UIL (**Prospectus**).

The Prospectus accompanies this Notice of Meeting and has been lodged with ASIC at the same time as this Notice of Meeting. The Company recommends that all Shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting. The UIL Consideration Shares will be issued by UIL to the Company pursuant to a cleansing notice or prospectus (if required).

The Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means the Prospectus alone does not contain all the information that is generally required to satisfy the disclosure requirements of the Corporations Act. Rather, it incorporates all other necessary information by reference to information contained in this Notice of Meeting lodged with ASIC. The Prospectus is issued pursuant to Section 712 of the Corporations Act. The Prospectus, by reference to the information contained in this Notice, contains information in relation to UIL. The Company recommends that all shareholders read the Prospectus carefully and in conjunction with this Notice of Meeting and explanatory Statement.

2.21 No other Information

There is no information known to the Company that is material to the decision by a Shareholder on how to vote on Resolution 1 other than as disclosed in this Notice of Meeting and Explanatory Statement, the accompanying Prospectus and information that the Company has previously disclosed to Shareholders.

3. Resolution 2 – Authority to issue Ocean Hill Acquisition Shares

4.1 General

Resolution 2 seeks Shareholder approval pursuant to Listing Rule 7.1 for the issue of 40,000,000 Shares to Black Rock as part of the consideration for the acquisition of the Ocean Hill Project in accordance with the Ocean Hill Project purchase agreement as previously announced by the Company to the ASX on 22 October 2014 (**Ocean Hill Acquisition Shares**). The remaining consideration to be paid by the Company is a cash payment of \$300,000 to Black Rock as well as paying applicable native title costs of up to \$75,000 in relation to the grant of EPA 0090.

The purpose of Resolution 2 is to preserve the capacity of the Company to issue equity securities under Listing Rule 7.1 and 7.1A without the prior approval of its Shareholders. The Board believes that it is in the best interests of the Company to maintain the ability to issue up to the relevant thresholds without the requirement to obtain prior Shareholder approval so that the Company retains financial flexibility and can take advantage of any commercial opportunities that may arise.

If Resolution 2 is passed then none of the Ocean Hill Acquisition Shares issued to Black Rock will be counted when calculating how many equity securities the Company can issue in the future without Shareholder approval (relying on its capacity under the 15% threshold in Listing Rule 7.1 and the 10% threshold in Listing Rule 7.1A).

If Resolution 2 is not passed, then the Company will have to utilise its placement capacities under Listing Rule 7.1 and 7.1A in issuing the Ocean Hill Acquisition Shares to Black Rock.

Subject to issuing the Consideration Shares and completion of the acquisition of the Ocean Hill Project, the Ocean Hill Project will be transferred from Black Rock to OHPL, a wholly owned subsidiary of the Company.

In accordance with the Sale Agreement, and conditional upon the passing of Resolution 1, the entire share capital of OHPL is to be transferred to UIL as consideration for the UIL Consideration Shares. The Company will make a pro rata distribution of all of the UIL Consideration Shares to Shareholders pursuant to an

equal reduction of capital in accordance with the Distribution, as described in Section 2 of the explanatory memorandum.

Resolution 2 is an ordinary resolution.

4.2 Specific information required by Listing Rule 7.3

For the purposes of Listing Rule 7.3, information regarding the issue of the Ocean Hill Acquisition Shares is provided as follows:

- (a) The maximum number of Shares that the Company may issue pursuant to Resolution 2 is 40,000,000 Shares;
- (b) The Ocean Hill Acquisition Shares may be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by an ASX waiver or modification of the Listing Rules) and it is intended that the Ocean Hill Acquisition Shares will all be issued on the same date.
- (c) The Ocean Hill Acquisition Shares will be issued as part consideration for the Ocean Hill Project. Accordingly no funds will be raised from the issue of the Ocean Hill Acquisition Shares;
- (d) The Ocean Hill Acquisition Shares will comprise fully paid ordinary shares of the Company ranking equally in all respects with the Company existing Shares.
- (e) The Ocean Hill Acquisition Shares will be issued to Black Rock and/or its nominee.
- (f) A voting exclusion statement is included in the Notice.

For personal use only

Schedule 1 – Financial Information

Part 1 – Financial Information of the Company

Set out below is the audit reviewed balance sheet (statement of financial position) of the Company as at 31 December 2015 (Balance Sheet “A”). In addition, disclosed are pro-forma balance sheets, assuming the following:

- Completion of the purchase of the Ocean Hill Project by Eneabba, including payment of the outstanding purchase consideration to Black Rock, comprising the issue of 40 million Shares (at a deemed share price of 2 cents per Share) and cash payment of \$300,000 and other payments associated with the completion of the Acquisition of \$75,000;
- Payment of costs associated with the transaction and Sale Agreement, estimated to be \$50,000;
- Completion of the Sale Agreement with UIL, with the Company receiving UIL Consideration Shares, comprising:-
 - 55 million UIL Class A Convertible Preference Shares, valued at \$2,475,000 based on a value of 4.5 cents per UIL Class A Convertible Preference Share, taken as the last closing price for UIL ordinary shares traded on the ASX on 31 December 2015; and
 - 35 million UIL Class B Convertible Preference Shares, with two separate valuation scenarios presented for the Class B Convertible Preference Shares:-
 - Valuation Scenario One, shown as “Pro-forma Balance Sheet B”: Class B Convertible Preference Shares are valued at 4.5 cents per Class B Convertible Preference Share taken as the last closing price for UIL ordinary shares traded on the ASX on 31 December 2015, with a total valuation of \$1,575,000. This valuation scenario assumes that the success milestone for the automatic conversion of Class B Convertible Preference Shares to UIL Shares is met and the Class B Convertible Preference Shares are fully converted into ordinary UIL Shares on the basis of 1:1; and
 - Valuation Scenario Two, shown as “Pro-Forma Balance Sheet C”: Class B Convertible Preference Shares are ascribed a nil value. This valuation scenario assumes that the success milestone for the automatic conversion of Class B Convertible Preference Shares to UIL Shares is not met and the Class B Convertible Preference Shares are redeemed for a nominal value of \$0.000001 each.
- Completion of the in-specie distribution of the UIL Consideration Shares to Eneabba Shareholders

Financial Information of Eneabba Gas Limited

	Audit reviewed Balance Sheet “A” 31 December 2015 \$000	Pro-forma Balance Sheet “B” 31 December 2015 \$000	Pro-forma Balance Sheet “C” 31 December 2015 \$000
Current Assets			
Cash assets	1,172,455	747,455	747,455
Other current assets	22,030	22,030	22,030
Total Current Assets	1,194,485	769,485	769,485
Non Current Assets			
Exploration and evaluation asset	855,506	-	-
Property, plant and equipment	1,672,968	1,672,968	1,672,968
Other non current assets	50,804	-	-
Total Non Current Assets	2,579,278	1,672,968	1,672,968
Total Assets	3,773,763	2,442,454	2,442,454
Current Liabilities			
Trade and other payables	70,186	70,186	70,186
Total Current Liabilities	70,186	70,186	70,186
Total Liabilities	70,186	70,186	70,186
Net Assets (deficiency)	3,703,577	2,372,268	2,372,268
Equity			
Issued Capital	14,255,958	11,005,958	12,580,958
Reserves	239,701	239,701	239,701
Accumulated Losses	(10,792,082)	(8,873,391)	(10,448,391)
Total Equity (deficiency)	3,703,577	2,372,268	2,372,268

Part 2 – Financial Information of UIL

Set out below is the audit reviewed balance sheet (statement of financial position) of UIL as at 31 December 2015 (Balance Sheet “A”). In addition, disclosed are pro-forma balance sheets, assuming the following:

- Payment of costs associated with the transaction and Sale Agreement, estimated to be \$25,000;
- Completion of the Sale Agreement with Eneabba, with UIL receiving the entire issued capital of the Sale Companies from Eneabba and UIL issuing the UIL Consideration Shares to Eneabba. The book value of the Sale Companies received by UIL from Eneabba are calculated with reference to the value of the UIL Consideration Shares issued to Eneabba, being:-
 - 55 million UIL Class A Convertible Preference Shares, valued at \$2,475,000 based on a value of 4.5 cents per UIL Class A Convertible Preference Share, taken as the last closing price for UIL ordinary shares traded on the ASX on 31 December 2015; and
 - 35 million UIL Class B Convertible Preference Shares, with two separate valuation scenarios presented for the Class B Convertible Preference Shares:-
 - Valuation Scenario One, shown as “Pro-forma Balance Sheet B”: Class B Convertible Preference Shares are valued at 4.5 cents per Class B Convertible Preference Share taken as the last closing price for UIL Shares traded on the ASX on 31 December 2015, with a total valuation of \$1,575,000. This valuation scenario assumes that the success milestone for the automatic conversion of Class B Convertible Preference Shares to UIL Shares is met and the Class B Convertible Preference Shares are fully converted into ordinary shares in UIL on the basis of 1:1; and
 - Valuation Scenario Two, shown as “Pro-forma Balance Sheet C”: Class B Convertible Preference Shares are ascribed a nil value. This valuation scenario assumes that the success milestone for the automatic conversion of Class B Convertible Preference Shares to UIL Shares are not met and the Class B Convertible Preference Shares are redeemed for a nominal value of \$0.000001 each.

Financial Information of UIL Energy Limited

	Audit reviewed Balance Sheet “A” 31 December 2015 \$000	Pro-forma Balance Sheet “B” 31 December 2015 \$000	Pro-forma Balance Sheet “C” 31 December 2015 \$000
Current Assets			
Cash assets	1,936,821	1,911,821	1,911,821
Other current assets	44,842	44,842	44,842
Total Current Assets	1,981,663	1,956,663	1,956,663
Non Current Assets			
Exploration and evaluation asset	4,073,911	8,123,911	6,548,911
Property, plant and equipment	7,130	7,130	7,130
Total Non Current Assets	4,081,041	8,131,041	6,556,041
Total Assets	6,062,704	10,087,704	8,512,704
Current Liabilities			
Trade and other payables	373,614	373,614	373,614
Total Current Liabilities	373,614	373,614	373,614
Total Liabilities	373,614	373,614	373,614
Net Assets (deficiency)	5,689,090	9,714,090	8,139,090
Equity			
Issued Capital	12,827,340	16,877,340	15,302,340
Reserves	1,649,315	1,649,315	1,649,315
Accumulated Losses	(8,787,565)	(8,812,565)	(8,812,565)
Total Equity (deficiency)	5,689,090	9,714,090	8,139,090

Schedule 2 - Rights attaching to UIL Consideration Shares and UIL Shares

Part 1 – UIL Class A Convertible Preference Shares

1. Glossary

For the purpose of these terms and conditions:

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532) or any successor.

Automatic Conversion has the meaning given to that term in clause 3.1.

Automatic Conversion Date means the Business Day after the CPS are registered in the name of the Distribution Recipient as a result of the Distribution.

Board means the board of directors of the Company.

CHES means the Clearing House Electronic Subregister System operated by ASTC.

Company means UIL Energy Limited.

Condition Failure Event means if the Automatic Conversion Date has not happened in respect of all CPS by the date being 10 business days after the issue of the CPS.

Constitution means the constitution of the Company as amended from time to time.

Conversion means in relation to a CPS, the taking effect of the rights specified in clauses 3.1, 5 and 6.4 in relation to that CPS and **Convert** and **Converted** have corresponding meanings.

Conversion Date means the Automatic Conversion Date or the New Conversion Date, as applicable.

Corporations Act means the Corporations Act 2001 (Cth).

CPS means the convertible preference shares known as “Class A CPS” issued on the terms set out in these Terms or, where the context requires, each preference share.

CPS Holder means each person registered in the Register from time to time as a holder of CPS.

Directors means the board of directors of the Company.

Distribution means the distribution in specie of the CPS to holders of ordinary shares in the Original CPS Holder, pursuant to the Distribution Resolution.

Distribution Recipient means a recipient of CPS distributed as part of the Distribution.

Distribution Resolution means a resolution passed at a meeting of ordinary shareholders of the Original CPS Holder authorising the Distribution pursuant to the Corporations Act.

Dividend means the non-cumulative dividend payable on each CPS at the Dividend Rate.

Dividend Rate means 5% per annum based on the Face Value of each CPS.

Face Value means \$0.000001 per CPS.

New Conversion Date has the meaning given to that term in clause 6.4.

Original CPS Holder means Eneabba Gas Limited.

Redeem means in relation to a CPS, redeem, buy-back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS in accordance with clause 7, and **Redeemed**, **Redeemable** and **Redemption** have the corresponding meanings.

Redemption Date means 10 Business Days after the Company issues a Redemption Notice.

Redemption Notice means a notice given by the Company to a CPS Holder in a form determined by the Company, of its intention to Redeem the CPS in accordance with clause 7.

Redemption Period means the period commencing on the Condition Failure Event happening and ending 20 Business Days thereafter.

Register means the register of CPS maintained by the Company and includes any sub register of that register.

Shares means a fully paid ordinary share in the capital of the Company.

Terms means the terms and conditions for the issue of CPS in the Company as these terms and conditions are amended, supplemented or replaced from time to time and as set out herein.

2. CPS

2.1 CPS

The CPS are fully paid redeemable convertible preference shares in the capital of the Company. They are issued, and may be Redeemed or Converted according to these Terms.

2.2 Face Value

Each CPS will be issued fully paid at the Face Value.

3. Automatic Conversion

3.1 Automatic Conversion

Subject to clause 6.4, each CPS will be Converted on the Automatic Conversion Date in accordance with clause 5 (Automatic Conversion) unless the CPS has been previously Redeemed.

3.2 No other Conversion

The Company does not have the right to Convert the CPS other than in the circumstances listed in clause 3.1.

4. No Holder conversion right

4.1 Save as provided for in these Conditions, no CPS Holder has a right to Convert CPS.

5. Conversion

5.1 Conversion Number

In the event of a Conversion all CPS will convert into Shares on the basis of one Share for each CPS.

5.2 Rights on Conversion

A CPS, upon Conversion, confers all of the rights attaching to one Share but these rights do not take effect until 5.00pm (Brisbane time) on the Conversion Date. At that time:

- (a) all other rights conferred or restrictions imposed on that CPS under these Terms will no longer have effect; and
- (b) the Share resulting from the Conversion will rank equally with all other Shares.

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5.3 Effect of Conversion

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS or an issue, allotment or creation of a new Share.

5.4 Statement

Upon Conversion the Company shall provide the CPS Holder with a certificate or statement of holding for the Shares the subject of a Conversion.

5.5 Dividend

Despite anything else in these Terms, upon Conversion of the relevant CPS, any entitlement to a Dividend (accrued or otherwise) with respect to CPS, will cease to accrue and be deemed to be written off.

6. Quotation of Shares

6.1 Rank equally

Each Share arising from Conversion will rank pari passu with all other fully paid Shares, except that such Shares arising from Conversion will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid as at the Conversion Date.

6.2 Cleansing Notice

On the Automatic Conversion Date, subject to clause 6.3, the Company must provide to ASX a notice complying with sections 708A(5)(e) and 708A(6) of the Corporations Act (**Cleansing Notice**)

6.3 Cleansing Prospectus

If on the Automatic Conversion Date the Company would be unable to provide to ASX a Cleansing Notice in respect of a Conversion because it is unable to comply with the requirements of sections 708A(5)(e) and 708A(6) of the Corporations Act (including where trading in the Shares on ASX was suspended for more than a total of five days in the preceding 12 month period) or for any other reason is unable to provide to ASX a Cleansing Notice for the purposes of clause 6.2, the Company must within 10 Business Days after the Automatic Conversion Date lodge with ASIC a prospectus complying with section 708A(11) of the Corporations Act (**Cleansing Prospectus**).

6.4 Adjustment of Conversion Date

If the Company is under an obligation to lodge a Cleansing Prospectus, and the Automatic Conversion Date would occur prior to actual lodgement of the Cleansing Prospectus then the Conversion of the CPS will not occur until the date on which the Company has complied with its obligations under clause 6.3 (for the purposes of this clause 6.4, the **New Conversion Date**) and each CPS will be Converted on the New Conversion Date in accordance with clause 5 unless the CPS has been previously Redeemed.

6.5 Uncertified

Shares arising from Conversion will be issued in uncertificated form through CHES.

6.6 Statements

Statements of holdings for Shares arising from Conversion will be dispatched by the Company by mail free of charge as soon as practicable but in any event within 10 Business Days after the relevant Conversion Date.

7. Redemption

7.1 Redemption mechanics to apply to Redemption

The Company may Redeem CPS during the Redemption Period by:

- (a) giving a Redemption Notice to CPS Holders; and
- (b) paying to the CPS Holders on the Redemption Date:
- (1) the Face Value of each CPS the subject of the Redemption Notice; and
 - (2) the Dividend due on the relevant CPS on the Redemption Date,
- (together the **Redemption Amount**).

7.2 Redemption restrictions

The Company may not Redeem any CPS unless, at the same time, it redeems all CPS.

7.3 Obligation on Company to Redeem

Upon giving a Redemption Notice, the Company will be obliged to redeem the relevant number of CPS by making the payments referred to in clause 7.1(b) on the Redemption Date.

7.4 Effect of Redemption on CPS Holders

On the Redemption Date, subject to Redemption occurring, the only right CPS Holders will have in respect of CPS the subject of the Redemption will be to obtain the Redemption Amount payable in accordance with these Terms and upon payment of the Redemption Amount, all other rights conferred, or restrictions imposed by the relevant CPS will no longer have effect.

7.5 Redemption by buy-back of CPS

If the Redemption involves a buy-back of CPS:

- (a) the Redemption Notice constitutes a buy-back offer for the Redemption Amount payable on the relevant Redemption Date; and
- (b) the CPS Holders must accept the buy-back offer for their CPS and will be deemed to have accepted that buy-back offer for CPS held by that CPS Holder to which the Redemption Notice relates on the date the Redemption Notice is given and will be deemed to have sold those CPS to the Company free of all encumbrances on the Redemption Date.

7.6 Cancellation of CPS

CPS the subject of Redemption will be cancelled and may not be re-issued.

7.7 Payment of Dividend

For the purposes of payment of a Dividend under clause 7.1(b)(2), the Company will be entitled to aggregate the Dividend determined for each CPS Holder for all CPS held by a CPS Holder and the aggregated amount will be rounded up to the nearest cent.

8. General CPS Terms

8.1 Register

The Company shall maintain the Register.

8.2 General Rights

- (a) CPS rank equally amongst themselves in all respects.

- (b) Until Conversion, the CPS shall have an entitlement to the payment of Dividends equal to the Dividend Rate payable on Redemption before payment of a dividend to holders of Shares or any other class of shares ranking behind the CPS.
- (c) Until Conversion, if there is a return of capital on a winding up of the Company, CPS Holders will be entitled to receive out of the assets of the Company available for distribution to holders of CPS, in respect of each CPS held, a cash payment equal to the Face Value and any accrued and unpaid Dividend before any return of capital is made to holders of Shares or any other class of shares ranking behind the CPS.
- (d) CPS do not confer on their holders any right to participate in profits or property except as set out in these Terms or in the Constitution.
- (e) If, upon a return of capital, there are insufficient funds to pay in full the amounts referred to above and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with the CPS on a winding up of the Company, the CPS Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled.
- (f) Until Conversion, the CPS do not confer on the CPS Holders any further right to participate in the surplus assets of the Company on a winding up than those set out in these Terms.
- (g) Until all CPS have been converted, the Company must not, without approval of the CPS Holders, issue shares ranking in priority to the CPS or permit the variation of any rights of any existing shares to shares ranking equally or in priority to the CPS, but the Directors are at all times authorised to issue further CPS ranking equally with any existing CPS.
- (h) If a takeover bid is made for ordinary shares, acceptance of which is recommended by the Directors, or the Directors recommend a member's scheme of arrangement, the Directors will use reasonable endeavours to procure that equivalent takeover offers are made to the CPS Holder or that they participate in the scheme of arrangement.
- (i) Until conversion, the CPS confer no rights to subscribe for new securities in the Company or to participate in any bonus issues.
- (j) A CPS does not entitle a CPS Holder to vote at any general meeting of the Company except in the following circumstances:
 - (1) on a proposal:
 - (A) to reduce the share capital of the Company;
 - (B) (that affects rights attached to the CPS);
 - (C) to wind up the Company; or
 - (D) for the disposal of the whole of the property, business and undertaking of the Company;
 - (2) on a resolution to approve the terms of a buy back agreement;
 - (3) on a resolution during a period in which a Dividend or part of a Dividend on the CPS is in arrears; or
 - (4) on a resolution during the winding up of the Company.

- (k) A Holder will have the same rights as the holders of Shares with respect to receiving notices at general meetings and financial reports and attending the Company's general meetings.
- (l) Subject to complying with all applicable laws, the Company may, without the authority, assent or approval of the CPS Holders , amend or add to these terms of issue if such amendment or addition is, in the opinion of the Company:
 - (1) of a formal, minor or technical nature;
 - (2) made to correct a manifest error; or
 - (3) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the CPS Holders.
- (m) Each CPS shall be non-transferable except the CPS Holder may transfer the CPS to the Distribution Recipients.

Part 2 – Rights attaching to UIL Class B Convertible Preference Shares

1. Glossary

For the purpose of these terms and conditions:

ASTC means ASX Settlement and Transfer Corporation Pty Ltd (ABN 49 008 504 532) or any successor.

Automatic Conversion has the meaning given to that term in clause 3.1.

Automatic Conversion Date means the Business Day after the Well is determined to be a Success.

Board means the board of directors of the Company.

CHES means the Clearing House Electronic Subregister System operated by ASTC.

Company means UIL Energy Limited.

Condition Failure Event means:

- (a) If the CPS are not registered in the name of the Distribution Recipient as a result of the Distribution by the date being 10 business days after the issue of the CPS; or
- (b) If the Well is not drilled by 31 December 2019 or is drilled but determined not to be a Success by 31 December 2019.

Constitution means the constitution of the Company as amended from time to time.

Conversion means in relation to a CPS, the taking effect of the rights specified in clauses 3.1, 5 and 6.4 in relation to that CPS and **Convert** and **Converted** have corresponding meanings.

Conversion Date means the Automatic Conversion Date or the New Conversion Date, as applicable.

Corporations Act means the Corporations Act 2001 (Cth).

CPS means the convertible preference shares known as “Class B CPS” issued on the terms set out in these Terms or, where the context requires, each preference share.

CPS Holder means each person registered in the Register from time to time as a holder of CPS.

Directors means the board of directors of the Company.

Distribution means the distribution in specie of the CPS to holders of ordinary shares in the Original CPS Holder, pursuant to the Distribution Resolution.

Distribution Recipient means a recipient of CPS distributed as part of the Distribution.

Distribution Resolution means a resolution passed at a meeting of ordinary shareholders of the Original CPS Holder authorising the Distribution pursuant to the Corporations Act.

Face Value means \$0.000001 per CPS.

New Conversion Date has the meaning given to that term in clause 6.4.

Original CPS Holder means Eneabba Gas Limited.

Redeem means in relation to a CPS, redeem, buy-back (other than an on-market buy-back within the meaning of the Corporations Act) or reduce capital, or any combination of such activities, in connection with that CPS in accordance with clause 7, and **Redeemed**, **Redeemable** and **Redemption** have the corresponding meanings.

Redemption Date means 10 Business Days after the Company issues a Redemption Notice.

Redemption Notice means a notice given by the Company to a CPS Holder in a form determined by the Company, of its intention to Redeem the CPS in accordance with clause 7.

Redemption Period means the period commencing on the Condition Failure Event happening and ending 20 Business Days thereafter.

Register means the register of CPS maintained by the Company and includes any sub register of that register.

Shares means a fully paid ordinary share in the capital of the Company.

Success means the Company determining that the Well is a success within the parameters described in Annexure A.

Terms means the terms and conditions for the issue of CPS in the Company as these terms and conditions are amended, supplemented or replaced from time to time and as set out herein.

Well means the Ocean Hill No 2 Well.

2. CPS

2.1 CPS

The CPS are fully paid redeemable convertible preference shares in the capital of the Company. They are issued, and may be Redeemed or Converted according to these Terms.

2.2 Face Value

Each CPS will be issued fully paid at the Face Value.

3. Automatic Conversion

3.1 Automatic Conversion

Subject to clause 6.4, each CPS will be Converted on the Automatic Conversion Date in accordance with clause 5 (**Automatic Conversion**) unless the CPS has been previously Redeemed.

3.2 No other Conversion

The Company does not have the right to Convert the CPS other than in the circumstances listed in clause 3.1.

4. No Holder conversion right

4.1 Save as provided for in these Conditions, no CPS Holder has a right to Convert CPS.

5. Conversion

5.1 Conversion

In the event of a Conversion all CPS will convert into Shares on the basis of one Share for each CPS.

5.2 Rights on Conversion

A CPS, upon Conversion, confers all of the rights attaching to one Share but these rights do not take effect until 5.00pm (Brisbane time) on the Conversion Date. At that time:

- (a) all other rights conferred or restrictions imposed on that CPS under these Terms will no longer have effect; and
- (b) the Share resulting from the Conversion will rank equally with all other Shares.

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5.3 Effect of Conversion

Conversion does not constitute a redemption, buy-back, cancellation or termination of CPS or an issue, allotment or creation of a new Share.

5.4 Statement

Upon Conversion the Company shall provide the CPS Holder with a certificate or statement of holding for the Shares the subject of a Conversion.

5.5 Drilling of Well

The Company must use reasonable endeavours to cause the drilling of the Well before 31 December 2019.

6. Quotation of Shares

6.1 Rank equally

Each Share arising from Conversion will rank pari passu with all other fully paid Shares, except that such Shares arising from Conversion will not be entitled to any dividend or any other distribution or entitlement that has been declared or determined but not paid as at the Conversion Date.

6.2 Cleansing Notice

On the Automatic Conversion Date, subject to clause 6.3, the Company must provide to ASX a notice complying with sections 708A(5)(e) and 708A(6) of the Corporations Act (**Cleansing Notice**)

6.3 Cleansing Prospectus

If on the Automatic Conversion Date the Company would be unable to provide to ASX a Cleansing Notice in respect of a Conversion because it is unable to comply with the requirements of sections 708A(5)(e) and 708A(6) of the Corporations Act (including where trading in the Shares on ASX was suspended for more than a total of five days in the preceding 12 month period) or for any other reason is unable to provide to ASX a Cleansing Notice for the purposes of clause 6.2, the Company must within 20 Business Days after the Automatic Conversion Date lodge with ASIC a prospectus complying with section 708A(11) of the Corporations Act (**Cleansing Prospectus**).

6.4 Adjustment of Conversion Date

If the Company is under an obligation to lodge a Cleansing Prospectus, and the Automatic Conversion Date would occur prior to actual lodgement of the Cleansing Prospectus then the Conversion of the CPS will not occur until the date on which the Company has complied with its obligations under clause 6.3 (for the purposes of this clause 6.4, the **New Conversion Date**) and each CPS will be Converted on the New Conversion Date in accordance with clause 5 unless the CPS has been previously Redeemed.

6.5 Uncertified

Shares arising from Conversion will be issued in uncertificated form through CHES.

6.6 Statements

Statements of holdings for Shares arising from Conversion will be dispatched by the Company by mail free of charge as soon as practicable but in any event within 10 Business Days after the relevant Conversion Date.

7. Redemption

7.1 Redemption mechanics to apply to Redemption

The Company may Redeem CPS during the Redemption Period by:

- (a) giving a Redemption Notice to CPS Holders; and
- (b) paying to the CPS Holders on the Redemption Date the Face Value of each CPS the subject of the Redemption Notice (**Redemption Amount**).

7.2 Redemption restrictions

The Company may not Redeem any CPS unless, at the same time, it redeems all CPS.

7.3 Obligation on Company to Redeem

Upon giving a Redemption Notice, the Company will be obliged to redeem the relevant number of CPS by making the payments referred to in clause 7.1(b) on the Redemption Date.

7.4 Effect of Redemption on CPS Holders

On the Redemption Date, subject to Redemption occurring, the only right CPS Holders will have in respect of CPS the subject of the Redemption will be to obtain the Redemption Amount payable in accordance with these Terms and upon payment of the Redemption Amount, all other rights conferred, or restrictions imposed by the relevant CPS will no longer have effect.

7.5 Redemption by buy-back of CPS

If the Redemption involves a buy-back of CPS:

- (a) the Redemption Notice constitutes a buy-back offer for the Redemption Amount payable on the relevant Redemption Date; and
- (b) the CPS Holders must accept the buy-back offer for their CPS and will be deemed to have accepted that buy-back offer for CPS held by that CPS Holder to which the Redemption Notice relates on the date the Redemption Notice is given and will be deemed to have sold those CPS to the Company free of all encumbrances on the Redemption Date.

7.6 Cancellation of CPS

CPS the subject of Redemption will be cancelled and may not be re-issued.

8. General CPS Terms

8.1 Register

The Company shall maintain the Register.

8.2 General Rights

- (a) CPS rank equally amongst themselves in all respects.
- (b) The CPS shall have no entitlement to payment of Dividends.
- (c) Until Conversion, if there is a return of capital on a winding up of the Company, CPS Holders will be entitled to receive out of the assets of the Company available for distribution to holders of CPS, in respect of each CPS held, a cash payment equal to the Face Value before any return of capital is made to holders of Shares or any other class of shares ranking behind the CPS.
- (d) CPS do not confer on their holders any right to participate in profits or property except as set out in these Terms or in the Constitution.
- (e) If, upon a return of capital, there are insufficient funds to pay in full the amounts referred to above and the amounts payable in respect of any other shares in the

Company ranking as to such distribution equally with the CPS on a winding up of the Company, the CPS Holders and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they respectively are entitled.

- (f) Until Conversion, the CPS do not confer on the CPS Holders any further right to participate in the surplus assets of the Company on a winding up then those set out in these Terms.
- (g) Until all CPS have been converted, the Company must not, without approval of the CPS Holders, issue shares ranking in priority to the CPS or permit the variation of any rights of any existing shares to shares ranking equally or in priority to the CPS, but the Directors are at all times authorised to issue further CPS ranking equally with any existing CPS.
- (h) If a takeover bid is made for ordinary shares, acceptance of which is recommended by the Directors, or the Directors recommend a member's scheme of arrangement, the Directors will use reasonable endeavours to procure that equivalent takeover offers are made to the CPS Holder or that they participate in the scheme of arrangement.
- (i) Until conversion, the CPS confer no rights to subscribe for new securities in the Company or to participate in any bonus issues.
- (j) A CPS does not entitle a CPS Holder to vote at any general meeting of the Company except in the following circumstances:
- (1) on a proposal:
 - (A) to reduce the share capital of the Company;
 - (B) (that affects rights attached to the CPS);
 - (C) to wind up the Company; or
 - (D) for the disposal of the whole of the property, business and undertaking of the Company;
 - (2) on a resolution to approve the terms of a buy back agreement; or
 - (3) on a resolution during the winding up of the Company.
- (k) In accordance with the Constitution, a Holder will have the same rights as the holders of Shares with respect to receiving notices at general meetings and financial reports and attending the Company's general meetings.
- (l) Subject to complying with all applicable laws, the Company may, without the authority, assent or approval of the CPS Holders, amend or add to these terms of issue if such amendment or addition is, in the opinion of the Company:
- (1) of a formal, minor or technical nature;
 - (2) made to correct a manifest error; or
 - (3) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the CPS Holders.
- (m) Each CPS shall be non-transferable except the CPS Holder may transfer the CPS to the Distribution Recipients.

Annexure A – Class B CPRS Success parameters

The Well (Ocean Hill #2) would be considered a “Success” if:

- (a) 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:
 - (1) equal to or greater than 5 million standard cubic feet per day (without drawdown); or
 - (2) less than 5 million standard cubic feet per day (without drawdown) but a qualified expert provides a written opinion to UIL to the effect that the results of the production test of the Well justifies the undertaking of further drilling of the Ocean Hill structure (ie. an Ocean Hill #3 appraisal/step out well),and
- (b) a qualified expert provides a written opinion to UIL 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.

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Part 3 – Rights attaching to UIL Shares

UIL Shares

Further, following is a summary of the more significant rights and liabilities attaching to UIL Shares which will be issued on conversion of the UIL Consideration Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders as shareholders of UIL. To obtain such a statement, persons should seek independent legal advice.

(a) Voting

At a general meeting of UIL on a show of hands, every member present in person or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every Share held by them.

(b) Dividends

Subject to the rights of holders of UIL Shares of any special preferential or qualified rights attaching thereto, dividends are payable amongst the holders of UIL Shares in proportion to the amounts paid up on such UIL Shares respectively at the date of declaration of the dividend. The UIL Directors may from time to time pay to UIL Shareholders such final and interim dividends as in their judgement the position of UIL justifies.

(c) Winding Up

UIL Shareholders will have no liability to make payments to UIL in the event of UIL being wound up pursuant to the provisions of the Corporations Act.

(d) Transfer of Securities

Generally, the UIL Shares in UIL will be freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The UIL Directors may decline to register any transfer of Shares, but only where permitted to do so under its Constitution or the Listing Rules.

(e) Sale of Non-Marketable Holdings

UIL may take steps in respect of non-marketable holdings of UIL Shares in UIL to affect an orderly sale of those UIL Shares in the event that holders do not take steps to retain their holdings.

UIL may only take steps to eliminate non-marketable holdings in accordance with the Constitution and the Listing Rules. For more particular details of the rights attaching to UIL Shares in UIL, investors should refer to the Constitution of UIL.

Schedule 3 - Risk Factors

On completion of the Distribution, the Company's Shareholders will become direct shareholders in UIL and should be aware of the general and specific risks that may affect UIL and the value of its securities. These risk factors are outlined below.

The list of risk factors ought not to be taken as exhaustive of the risks faced by UIL or by investors in UIL. Those factors, and others not specifically referred to, may in the future materially affect the financial performance of UIL and the value of the UIL Consideration Shares. The UIL Consideration Shares carry no guarantee with respect to the payment of dividends, return of capital or their market value.

1.1 Introduction

An investment in UIL will be exposed to a number of key risks related to its specific business operations. Key risks are risks that the Directors and senior management of UIL focus on when managing the business and which would have the potential, upon occurrence, to significantly affect UIL and the value of investments in UIL.

An investment in UIL is also subject to general risks which are common to all investments in shares and are not specific to the business model and operations of UIL. These include, for example, the volatility of share prices as a result of economic conditions, macroeconomic and fiscal decisions, currency movements and acts of terrorism or war.

The future performance of UIL and the future investment performance may be influenced by these key and general risks. Shareholders should note that the occurrence or consequences of some of the risks described in this section are partially or completely outside of the control of UIL, its Directors and senior management.

Shareholders should be aware that this section does not purport to list every risk that UIL may have exposure to now or in the future and the list should not be seen as exhaustive. The specific risks considered and others not specifically referred to in this section may in the future materially affect the financial performance of UIL. Shareholders should satisfy themselves that they have sufficient understanding of the risks of investing in UIL, and have regard to their own investment objectives, financial circumstances and taxation before making a decision about the Distribution.

1.2 Key risks specific to an investment in UIL

Shareholders should be aware of the key risks specific to an investment in UIL as described below.

(a) Financing, future capital needs and additional funding risk

UIL has finite financial resources and no cash flow from producing assets and therefore will require additional financing in order to meet its minimum expenditure commitments for its permits and to carry out its oil and gas exploration and development activities.

There can be no assurance that any such equity or debt funding will be available to UIL on favourable terms or at all. Failure to obtain appropriate financing on a timely basis could cause UIL to have an impaired ability to expend the capital necessary to undertake or complete drilling programs, forfeit its exploration interests in certain properties, and reduce or terminate its operations entirely. If UIL raises additional funds through the issue of equity securities, this may result in dilution to the existing shareholders and/or a change of control at UIL.

(b) Exploration and development

The future value of UIL will depend on its ability to find and develop oil and gas resources that are economically recoverable within UIL's granted exploration permits. Hydrocarbon exploration and development is inherently highly speculative and involves a significant degree of risk. There can be no assurance that UIL's planned exploration, appraisal and development activities will be successful. Even if oil and gas resources are identified, there is no guarantee that it will be economic to extract these resources or that there will be commercial opportunities available to monetise these resources. The proposed exploration and future drilling program could experience

cost overruns that reduce UIL's ability to complete the planned exploration and future drilling program in the time expected.

Oil and gas exploration may involve drilling operations and exploration activities which do not generate a positive return on investment. This may arise from dry wells, but also from wells that are productive but do not produce sufficient revenues to return a profit after accounting for drilling, operating and other associated costs. The production from successful wells may also be impacted by various operating conditions, including insufficient storage or transportation capacity, or other geological and mechanical conditions. In addition, managing drilling hazards or environmental damage and pollution caused by exploration and development operations could greatly increase the associated cost and profitability of individual wells.

(c) **Contractual risks**

UIL is a party to various contracts. Whilst UIL will have various contractual rights in the event of non-compliance by a contracting party, no assurance can be given that all contracts to which UIL is a party will be fully performed by all contracting parties. Additionally, no assurance can be given that if a contracting party does not comply with any contractual provisions, UIL will be successful in securing compliance. Any failure in the ability for UIL to secure compliance of a contracting party could have a negative effect on UIL's ability to carry out its objectives and may have a detrimental financial impact on UIL.

(d) **Hydraulic fracturing**

UIL is considering using horizontal drilling together with hydraulic fracturing stimulation technology in its exploration and development activities. The use of these technologies may be necessary for the production of commercial quantities of oil and gas from geological formations of the type that UIL is targeting. The enactment of any new laws, regulations or requirements by any relevant government authority in respect of hydraulic fracturing could result in operational delays, increased operational costs and potential claims from a third party or governmental authority. Investors should note that hydraulic fracturing has been the subject of increased media scrutiny, particularly in the United States and more recently Australia, due to its potential environmental impacts on land and underground water supply if not properly managed.

Restrictions or prohibitions on the use of hydraulic fracturing may reduce the amount of oil and gas UIL can produce and may have a material impact on UIL's business.

(e) **Environmental regulations**

Oil and gas exploration, development and production generates potential environmental risks and is therefore subject to environmental regulation pursuant to a variety of State, Territory and Federal laws and regulations. In particular there are regulations in place with respect to potential spills, contamination, releases and emission of substances related, or incidental to, the production of oil and gas. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. In certain circumstances, these laws and regulations also create obligations to remediate current and former facilities and locations where operations are or were conducted. Compliance with these regulations can require significant expenditure and a breach may result in substantial financial liability on UIL. These risks will be minimised by UIL conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations and where possible, by carrying appropriate insurance coverage.

(f) **Operational**

Oil and gas exploration and development activities involve numerous operational risks, including encountering unusual or unexpected geological formations, mechanical breakdowns or failures, human errors and other unexpected events which occur in the process of drilling and operating oil and gas wells.

The occurrence of any of these risks could result in substantial financial losses to UIL due to injury or loss of life, damage to or destruction of property, natural resources or equipment,

environmental damage or pollution, clean-up responsibilities and regulatory investigation, amongst other factors. Damages occurring to third parties as a result of such risks may give rise to claims against UIL which may not be covered fully by insurance or at all. UIL has limited prior operating history and there can be no assurances that it will be able to commission or sustain successful operation of its projects.

(g) **Native Title**

The effect of the Native Title Act is that existing and new permits held by UIL may be affected by Native Title procedures. The requirement to comply with the Native Title Act has the potential to significantly delay the grant of exploration permits and other petroleum permits in Australian jurisdictions. This is because generally a proponent must negotiate with and obtain the consent to grant of any determined Native Title holders or groups with a registered claim overlapping the permit area.

All of the permits held or applied for by UIL overlap to some degree with Native Title.

UIL will need to comply with the procedures under the Native Title Act prior to the grant of the exploration permit applications (**EPAs**). UIL is currently working through these processes.

Such procedures may take considerable time, involve the negotiation of significant agreements, may involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming Native Title in the land which is the subject of a permit. The administration and determination of Native Title issues may have a material adverse impact on the position of UIL and its business.

If UIL applies for additional rights such as a production lease, it will also need to comply with the procedures under the Native Title Act at this time, which will include negotiations with Native Title Parties.

(h) **Cultural Heritage and Aboriginal sites of significance**

Legislation in Australia and overseas typically allows for the protection of the cultural heritage of both indigenous peoples and later settlers. Permits and project areas may contain sites of significance, which would need to be avoided when carrying out field programs and project development. A failure to comply with this legislation may amount to a criminal offence carrying penalties of imprisonment and monetary fines.

One way to address Aboriginal cultural heritage is to enter into an agreement with the relevant Native Title Party (commonly called a Heritage Protection Agreement (**HPA**) or a Petroleum Access & Heritage Agreement (**PAHA**)). There is a HPA in place for EP 488 and EP 489, which contain provisions for the protection of Aboriginal heritage and the carrying out of heritage clearance surveys. There is also a HPA in place for EP 447; however neither UIL nor the Company are currently a party to the HPA and the HPA will either need to be assigned to UIL or the Company or a new HPA negotiated.

UIL is negotiating agreements for the EPAs containing clauses regarding the protection of Aboriginal heritage and the carrying out of heritage clearance surveys with the respective Native Title Parties as part of its compliance with the native title procedures for the grant of the permit.

Any refusal or delay in obtaining the necessary approvals or clearance from the Native Titles Parties may result in a departure from UIL's proposed work program and may have a material impact on UIL's business.

Despite the measures put in place by UIL, there remains a risk that sites of cultural significance may exist that may contain an economic hydrocarbon resource, which would not be able to be accessed by UIL.

(i) **Permit application**

UIL has three EPAs currently outstanding with the Western Australian government authorities. All the application areas were offered to UIL, as the successful bidder, via a competitive tender process. To progress the grant of any permit, UIL is required to negotiate Native Title Agreements with the registered Native Title claimants of the area in which the permit is situated.

EPA 82, EPA 98 and EPA 99 in the Perth basin area, have been offered to UIL. The formal process to identify the appropriate registered parties to negotiate with is complete. Informal discussions have commenced to negotiate an agreement and sign off on the State Deed.

There is no guarantee that UIL's EPAs will be granted, or if granted, will be over the desired portion or on terms that are favourable to UIL. If the EPAs are not granted, UIL will not be authorised to explore for oil and gas in the areas comprised in those EPAs, which may have a materially adverse effect on the future profitability of UIL.

(j) **Reserves and resources**

Accumulations of hydrocarbons will be classified according to the system designed by the Society of Petroleum Engineers, through the Petroleum Resources Management System (SPE-PRMS) and in accordance with the Listing Rules.

The SPE-PRMS system classifies accumulations of hydrocarbons with respect to a matrix of uncertainty and chance of commerciality. Whilst there are a multitude of pathways through this matrix from Prospective Resources to Contingent Resources and then to reserves, the process is defined by the three stages of exploration, appraisal and development.

Whilst McDaniel & Associates Consultants Ltd has independently assessed a Prospective Resource of Low 69 – Medium 328 – High 1,450 billion cubic feet of gas on a portion of UIL's permits, these resources represent estimates only and UIL does not have any independently determined oil and gas or condensate reserves in its granted exploration permits.

Prospective Resources are defined as those quantities of oil and gas which are estimated on a given date to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development however, are undiscovered and as such carry significant exploration risk.

An exploration program will be undertaken by UIL to discover these notional resources and reclassify them to Contingent Resources, which are defined as those quantities of oil and gas estimated on a given date to be potentially recoverable from known accumulations but are not currently proven to be economic.

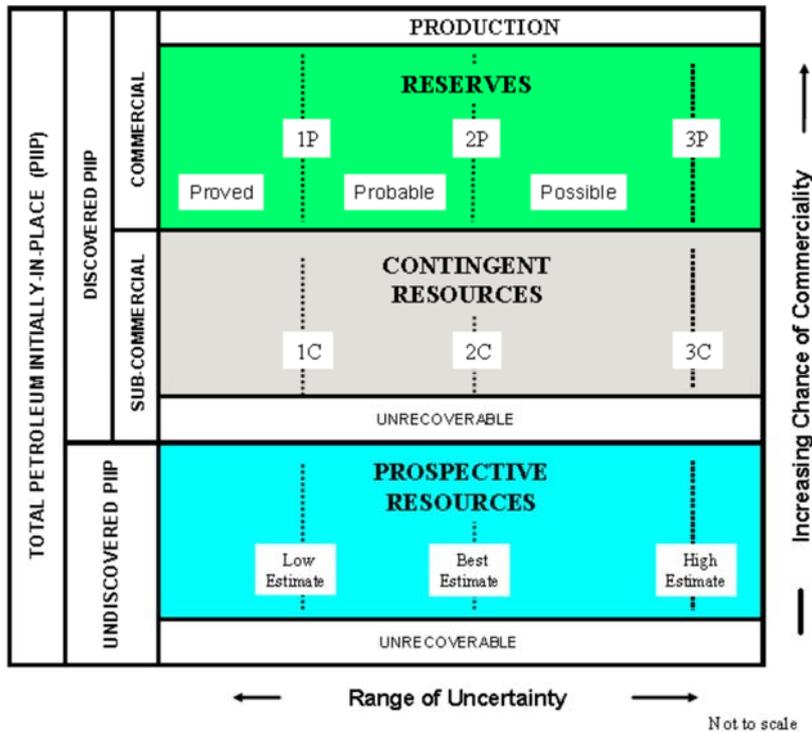
If the exploration program is successful in discovering sufficient quantities of Contingent Resources, an appraisal programme will be undertaken to prove them commercially viable and thereby re-classify them as reserves, which are defined as those quantities of oil and gas anticipated to be economically recoverable from discovered resources.

There is a different process for the conversion of resources to reserves between conventional (high permeability) reservoirs and unconventional (low permeability) reservoirs. For conventional reservoirs this is done via relatively short term flow tests in the appraisal wells. For the unconventional reservoirs which often contain much larger accumulations covering large areas, a number of longer term production pilots may be required to demonstrate commerciality and quantification of reserves.

In general, estimates of economically recoverable oil and gas reserves and resources are based upon a number of variable factors and assumptions, such as comparisons with production from other producing areas, the assumed effects of regulation by governmental agencies, assumptions regarding future oil and gas prices and future operating costs, all of which may vary considerably from actual results. Actual production with respect to reserves may vary from such estimates and such variances could be material.

Reserve and resource estimates are estimates only and no assurance can be given that any particular level of recovery from hydrocarbon reserves will in fact be realised or that an identified hydrocarbon resource will ever qualify as commercially viable which can be legally and economically exploited.

Figure 1: Reserve and resource definitions



(k) **Water**

The exploration for and production of oil and gas requires a reliable water source. UIL will need to secure water licenses for the taking and using of water. There is a risk that the water allocation for a particular area will be exhausted. Where this is the case, UIL will need to consider alternative options for obtaining water such as entering into an arrangement to lease a water entitlement from an existing water license holder. In addition to the amounts of water normally required in drilling activities, the use of hydraulic fracturing stimulation would require further volumes of water.

(l) **Operational authorisations**

UIL's gas and oil exploration and development activities and operations are focused on Western Australia and are subject to significant government oversight, regulation and control. In Australia, these operational regulations may vary between the States and Commonwealth of Australia governing bodies. Various levels of government (both State and those of the Commonwealth of Australia) have imposed rules and regulations that UIL must comply with and from which UIL must obtain and maintain certain licenses, authorisations and permits in respect of its exploration and development activities (collectively, **Authorisations**). The Authorisations, which are required by UIL to carry out exploration and development, may not be granted or may be withdrawn or made subject to limitations.

Authorisations relate to, among other things, the protection of the environment, Aboriginal cultural heritage, native title rights, the protection of workers and the public. Changes in government, government policies and legislation could have a material adverse effect on UIL's business, financial condition, results of operations and prospects.

Although the Authorisations may be renewed following expiry or granting, there can be no assurance that such Authorisations will be renewed or granted on the same terms. There are also risks that there could be delays in obtaining such Authorisations. If UIL does not meet its work

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and/or expenditure obligations under its Authorisations, this may lead to dilution of its interest in, or the loss of such interest. UIL cannot provide assurances that it will be able to obtain all necessary licenses, Authorisations and permits.

(m) **Availability of drilling and Hydraulic Fracturing equipment**

UIL's oil and gas exploration and development activities are dependent on the availability of drilling rigs and related equipment in the area of its exploration permits. UIL continues to monitor rig availability for its planned drilling however it has not, at this time, secured the use of a drilling rig or hydraulic fracturing equipment for its operations.

(n) **Seasonality and weather**

Operations on a number of UIL's exploration permits are affected by seasonal weather conditions. The Perth basin is optimally accessed during the summer months. The operations can occur during the less optimal seasons however the risk of reduced access, significant weather downtime and substantial cost overruns is increased during these times.

(o) **Commercialisation and infrastructure access**

UIL's potential future earnings, profitability, and growth are likely to be dependent upon UIL being able to successfully implement some or all of its commercialisation plans. The ability for UIL to do so is further dependent upon a number of factors, including matters which may be beyond the control of UIL. UIL may not be successful in securing identified customers or market opportunities.

UIL's ability to sell and market its natural gas production will be negatively impacted should it be unable to secure adequate transportation and processing. Access will depend on the proximity and capacity of pipelines and processing facilities. Furthermore, UIL may be required to develop its own pipeline infrastructure or secure access to third party pipeline infrastructure in order to deliver oil and gas to key markets or customers, or to directly deliver gas to key markets or customers. The development of its own pipeline infrastructure will be subject to UIL obtaining relevant approvals including pipeline licences.

(p) **Competition**

Oil and gas exploration is highly competitive in Australia. UIL competes with numerous other oil and gas companies in the search for oil and gas reserves and resources. Competitors include oil and gas companies that have substantially greater financial resources, staff and facilities than those of UIL. UIL is protected from competition on permits in which it holds exclusive exploration rights, however UIL may face competition for drilling equipment and skilled labour. UIL may also face competition from competitors on permits in which it currently holds exploration rights, in the event that, as a condition of any permit held, it is required to partially relinquish certain parts of the permit. If UIL elects to re-apply for these exploration rights, there is no guarantee that UIL will be successful in its application against other competing offers.

(q) **Reliance on key personnel**

UIL's future value will depend in part on the performance of its senior management and other key personnel. UIL's progress in pursuing its exploration and evaluation programs within the time frames and within the costs structure as currently envisaged could be adversely influenced by the loss of existing key personnel. Whilst UIL has taken steps to secure appropriately qualified senior management, the competition for qualified personnel in the oil and gas industry is notable and there can be no assurance that UIL will be able to retain or hire all personnel necessary for the development and operation of its business. The impact of a loss of key staff would be dependent upon the quality and timing of the employee's replacement.

Although UIL's key personnel have a considerable amount of experience and have previously been successful in their pursuits of acquiring, exploring and developing oil and gas projects, there is no guarantee or assurance that they will be successful in implementing UIL's objectives.

(r) **Stakeholder management**

Onshore oil and gas exploration is currently subject to increased public scrutiny in various States in Australia. Community engagement, or the lack thereof, may have an impact on exploration and development and commercialisation opportunities for future discovered resources. UIL is placing significant focus on establishment of strong relations with the relevant Native Title Parties and Land Councils to mitigate risks in this area.

(s) **Petroleum Resources Rent Tax**

In 2012 the Australian Federal Government enacted legislation for the extension of the Petroleum Resources Rent Tax (**PRRT**) to onshore and offshore oil and gas projects, including Shale Gas projects.

The legislation applies a 40% tax on certain profits from oil and gas and liquids sales.

The operation of the PRRT could have a materially adverse effect on UIL to the extent that it will apply to oil and gas produced and sold by UIL from onshore production.

(t) **Land access**

UIL requires land access in order to perform exploration and development activities. Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act. UIL will need to enter into compensation arrangements with private landowners or occupiers for the impact on private land by the proposed exploration activities. UIL's operations may be adversely impacted or delayed in the event of a dispute with a land owner.

(u) **Limited operating history**

UIL is a relatively new exploration company with limited operating history. UIL was incorporated in 2011 and has yet to generate a profit from its activities. Accordingly UIL has limited operating history in the oil and gas industry in Australia and has limited historical financial information and record of performance. UIL's business plan requires significant expenditure, particularly capital expenditure, during its oil and gas exploration phase. Any future revenue and profitability from UIL's business will be dependent upon the successful exploration and development of UIL's permits, and there can be no assurance that UIL will achieve profitability in future.

(v) **Overlapping tenure**

UIL's granted permits and applications are overlapped by various mineral exploration permits, mining leases and geothermal exploration permits. Where overlapping exploration permits and mining leases exist in Western Australia there is no specific legislative requirement for UIL to negotiate an arrangement with the competing holders. Overlapping tenure is commonly managed in Western Australia and does not present an insurmountable obstacle to exploration.

(w) **Exploration work program commitments**

The terms of UIL's granted permits include minimum work program expenditure requirements and the estimated expenditure associated with that work program. The actual expenditure undertaken may be insufficient to meet those requirements. There is a risk that where the terms of the permits are not complied with, the Minister may exercise his discretion to cancel the permit or not renew the permit. UIL intends to mitigate this risk by re-evaluating its exploration program and budget and if necessary, seeking further funding, or considering other options including, where appropriate and allowed by the terms of their issue, surrendering parts of its permits or applying to the Minister for a variation and suspension of, and exemption from compliance with, the conditions of the permit, in order to manage its minimum work program and expenditure obligations.

(x) **Exploration maps and diagrams**

UIL has commissioned and produced diagrams and maps in this Notice to help identify and describe the permits. Maps and diagrams should only be considered an indication of the current

intention of UIL in relation to targets and potential areas for exploration and drilling, which may change.

1.3 General risks

(a) Share market price and liquidity risk

The price at which UIL Shares trade cannot be accurately predicted. The trading price of UIL Shares can be affected by general market conditions as well as factors specifically affecting the Australian resources sector. Factors that could impact the trading price that are unrelated to UIL's performance include domestic and global commodity prices and economic outlook, fiscal and monetary policies, currency movements, and market perceptions of the attractiveness of particular industries.

(b) Volatility of oil and gas prices

UIL's possible future revenues will be derived mainly from the sale of gas and/or liquids. Consequently, UIL's potential future earnings, profitability, and growth are likely to be closely related to the price of gas and liquids.

Historically, oil and gas prices have fluctuated in response to changes in the supply of and demand for gas and liquids, economic uncertainty, and a variety of additional factors beyond the control of UIL. Such influencing factors include economic conditions in Australia and abroad, government regulation and sanctions, the actions of the Organization of the Petroleum Exporting Countries (OPEC), political stability in the Middle East and elsewhere and the availability of alternative fuel sources.

UIL could receive a lower price for the sale of condensate than the prevailing price for oil at the time of any future production, depending on the agreed pricing terms in relation to any that are produced.

Any substantial and extended decline in the market price of oil and gas and condensate could have an adverse effect on UIL's future revenues, profitability, cash flow from operations, carrying value of future reserves, and borrowing capacity amongst other factors. If the market price of oil and gas and condensate sold by UIL were to fall below the costs of production and remain at such a level for any sustained period, UIL would experience losses and could have to curtail or suspend some or all of its proposed activities. In such circumstances, UIL would also have to assess the economic impact of any sustained lower commodity prices on the recoverability of existing reserves.

(c) Legislative change

Oil and gas companies (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Changes in government regulations and policies may adversely affect the financial performance or the current and proposed operations generally of UIL.

Other than as set out in this Notice UIL is not aware of any other current or proposed material changes in relevant regulations or policy.

(d) Exchange rate

The revenues, earnings, assets and liabilities of UIL may be exposed adversely to exchange rate fluctuations. If UIL achieves commercial production, the revenue from its products may be denominated in Australian dollars or a foreign currency. As a result, fluctuations in exchange rates could result in unanticipated and material fluctuations in the financial results of UIL.

(e) Labour

UIL will require skilled workers and engineers in order to operate its activities. The inability to secure the necessary labour resources, industrial disruptions, work stoppages and accidents in the

course of UIL's operations could result in losses and delays, which may adversely affect profitability.

(f) **Insurance arrangements**

Oil and gas exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fires, explosions, blowouts, gas releases and spills which could result in property or environmental damage and personal injury. UIL intends to ensure that insurance is maintained in accordance with industry practice and having regard to the nature of activities being conducted. No assurance however, can be given that UIL will be able to obtain such insurance coverage at reasonable rates or that any coverage it arranges will be adequate and available to cover any potential claims.

(g) **Unforeseen expenses**

Whilst UIL is not aware of any expenses that may need to be incurred that have not been taken into account, if such expenses or increases to existing expenditure plans were subsequently incurred, the expenditure proposals of UIL may be adversely affected.

Schedule 4 – UIL’s Gas Projects

1.1 Overview of UIL’s asset portfolio

UIL holds interests in permits in the Perth Basin - 100% interests in EP 488 and EP 489, along with a 50% interest in EP 447 (the other 50% interest being held by the Company and proposed to be sold to UIL as part of the Acquisition). In addition, UIL has three exploration permit applications (EPAs).

Table 1: UIL permit summary

Basin	Permit	Operator	UIL Interest	Permit Area (gross km ²)	Permit Area (gross acres)
Perth	EP 447	UIL	50%	1,108	273,787
	EP 488	UIL	100%	296	73,142
	EP 489	UIL	100%	148	36,571
	EPA 82	UIL	100%	559	138,129
	EPA 98	UIL	100%	75	18,533
	EPA 99	UIL	100%	372	91,921
Total				2,558	632,083

1.2 Status of Permits

UIL has an interest in three granted EPs (EP 447, EP 488 and EP 489).

In addition, UIL has an interest in a number of EPAs, which are in varying stages of the application process with the Western Australian government department. UIL has been notified by the Department of Mines and Petroleum (DMP) that it is the preferred and accepted applicant for these EPAs. Certain compliance matters, such as Native Title Clearance and relevant environmental approvals must be satisfied prior to the EPAs being granted.

1.3 Detailed overview of UIL’s exploration portfolio

Perth Basin

Basin overview

The Perth Basin is an elongated north-south trending rift basin situated onshore and offshore of Western Australia. It covers an area of approximately 170,000 km². The basin contains oil, gas and gas fields with associated condensate. Historic exploration has been focused on discovering conventional oil, gas and gas fields with associated condensate. Exploration focus onshore has been on the shallow and structurally complex parts of the basin.

Geological setting

Known petroleum source rocks within UIL’s permits include the Jurassic aged Cattamarra Coal Measures, the lower-Triassic aged Kockatea Shale and the early Permian aged Carynginia Formation.

The Cattamarra Coal Measures (CCM) is a known source sequence for gas and gas associated condensate in the northern Perth Basin. It is thought to be the source for the Walyering, Warro, Red Gully / Gingin gas and gas associated condensate fields in the EP 447 area. The CCM is interpreted to be prospective within UIL’s Permits for both conventional plays and as a potential large continuous basin centred gas accumulation (BCGA).

The Kockatea Shale is one of the main oil source rocks in the northern Perth Basin. It is recognized as having the geological properties appropriate for the production of oil and gas once subjected to stimulation

techniques. Initial evaluation has been conducted by Australian Worldwide Exploration Limited (**AWE**) and Norwest Energy Limited (**Norwest**). AWE and Norwest have stimulated a 50 metre interval of the Lower Kockatea Shale in a vertical well located approximately 20 km west of EPA 82. The zone flowed at an average rate of 200 Mcfpd over a two-day period and produced approximately 22 barrels of oil during clean-up⁽¹⁾. The Kockatea Shale occurs at appropriate depths in EPA 82 and EPA 98.

The Carynginia Formation is characterised by interbedded sandstone and siltstone, and is interpreted to be gas-prone such that commercial flows of natural gas may be possible once the formation is satisfactory stimulated. It is interpreted to be prospective in the western part of EPA 82 and EPA 98 where it is indicated to be at depths greater than 4,000 metres. AWE and Norwest stimulated the Carynginia Formation in a vertical well located approximately 20 km west of EPA 82. The well flowed at an initial rate of 350 Mcfpd⁽¹⁾. A comparable Carynginia Formation was intersected in the Eneabba-1 well⁽¹⁾ (drilled in the 1970s) within 1 km of EPA 82. The Carynginia Formation is interpreted to be prospective for gas at appropriate depths within EPA 82 and EPA 98.

UIL project portfolio

UIL has secured permits on the western flank of the Dandaragan Trough within the Perth Basin. UIL's permits include EP 447, EP 488, EP 489, EPA 82, EPA 98 and EPA 99. UIL's permits are highlighted in Figure 1 below and include permits acquired from UIL.

These permit locations are on trend with previous conventional discoveries in complex structures. Seismic interpretation indicates that the structuring is less complex in the Dandaragan Trough, which may favour unconventional plays. Historic well data in the Dandaragan Trough suggests more favourable geological and reservoir characteristics, including overpressure, exist for a much larger continuous gas accumulation (a Basin Centred Gas Accumulation) at drilling depths below 3,800 metres. In combination with its exploration potential, the Dampier to Bunbury gas pipeline and the Parmelia pipeline spur runs close to, or through, UIL's permits in the Perth Basin.

¹ Not an asset of UIL. Shareholders should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL's permits.

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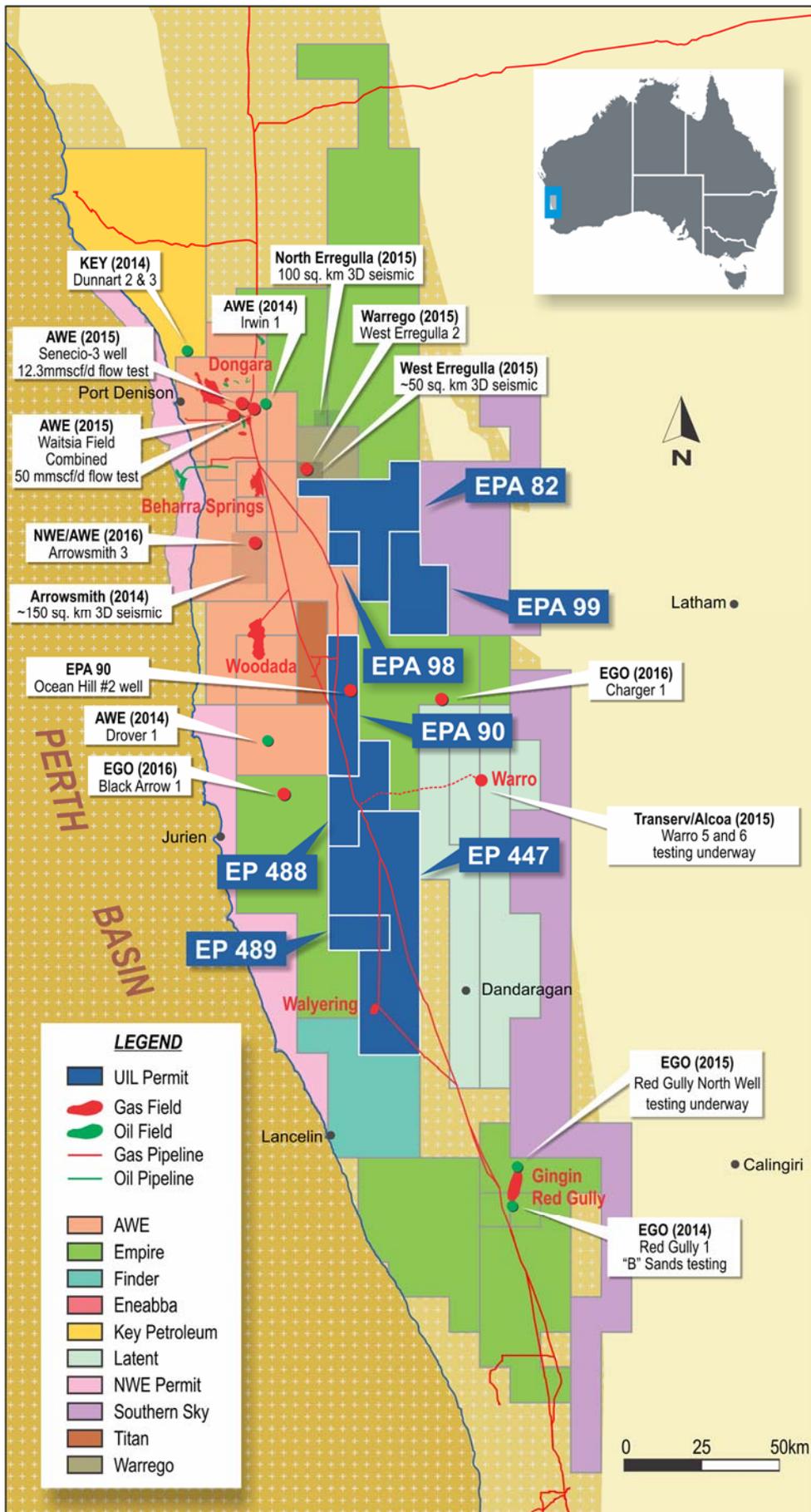


Figure 1: Perth Basin Competitor Map including UIL's Permits Post Completion

EP 447, EP 488 and EP 489

Project Highlights

- (a) Permits within the proven oil, gas and gas associated condensate rich Perth Basin
- (b) Historic Walyering gas field in the south of EP 447
- (c) Targeting oil, gas and gas associated condensate
- (d) Large Basin Centred Gas Accumulation potential
- (e) Exploration potential for Kockatea Shale play on western fringe of permits
- (f) Major gas pipelines run through all Permits

Project Summary

With the Perth Basin being a known petroleum producing region, UIL undertook a review of conventional and unconventional petroleum potential of the southern portion of the onshore Perth Basin, along the margins of, and within the Dandaragan Trough.

Conventional potential has been known since 1971, when the Walyering-1 well discovered gas. Subsequent wells in the field confirmed complex geology, but also indicated that deep unconventional potential might exist. UIL and its consultants analysed this data further and confirmed that over-pressuring appears to be occurring in the depths of the Dandaragan Trough. Over-pressuring and associated gas flows are key ingredients of Basin Centred Gas Accumulations. These accumulations tend to be laterally extensive and can be very large.

On identifying this potential, UIL set out to secure an interest in EP 447 and was successful in growing a contiguous permit position by bidding for and being notified as the preferred bidder by the DMP for permits that are now granted, EP 488 and EP 489.

An independent geological assessment by McDaniel & Associates of the Basin Centred Gas Accumulation, encompassing only parts of EP 447, EP 488 and EP 489, led to an initial definition of Prospective Resources covering the Cattamarra Coal Measures. This is outlined in Table 2 below.

Table 2: Cattamarra Coal Measures Prospective Resources across UIL's Permits in the Perth Basin

Prospective Resource (BCF)	Low	Best	High
EP 447 / EP 488 / EP 489	69	328	1,450

Commercialisation Plan

On initial discovery of gas and condensate, UIL could build appropriate facilities to strip any condensate from the gas stream and then: (i) truck the condensate to Perth; and (ii) connect to either of the gas pipelines which traverse EP 447.

EPA 82, EPA 98 and EPA 99 (100% interest)

Project Highlights

- (a) Permits within the proven oil, gas and gas associated condensate rich Perth Basin
- (b) Eneabba-1 well (located approximately 100 metres west of EPA 82) previously had a strong initial flow of wet gas from the Kockatea Shale⁽²⁾

² Not an asset of UIL. Shareholders should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL's permits.

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- (c) Conventional and unconventional potential
 - (d) EPA 82 and EPA 98 contain the Kockatea Shale and Carynginia Formation which have proved to be prospective in the Arrowsmith-2 well project area operated by Norwest⁽¹⁾
 - (e) EPA 99, in the Dandaragan Trough may contain Cattamarra Coal Measures basin centered gas accumulation potential similar to EP 447
 - (f) Major gas pipeline 25 km to west of these Permits

Project Summary

In addition to the potential of the Cattamarra Coal Measures in the Dandaragan Trough, UIL believes that the Kockatea Shale and Carynginia Formation hold significant oil, gas and gas associated condensate potential. The Kockatea Shale is one of the main oil source rocks in the northern part of the Perth Basin, while the Carynginia Formation contains gas prone sands and silts.

UIL identified a prospective location for these formations to occur, which was within the areas covered by EPA 82 and EPA 98. As a result, UIL tendered for and was awarded these permits. The Arrowsmith-2 well operated by Norwest, was fracture stimulated in the same sequence, and all zones flowed hydrocarbons which reinforces the potential of these formations.⁽¹⁾

Further geological interpretation work by UIL confirmed that the Kockatea Shale and the Carynginia Formation exist in the Eneabba-1 well⁽³⁾ drilled within 100 metres of the western border of EPA 82. These formations are interpreted to also exist in EPA 98. The Cattamarra Coal Measures are interpreted to occur in EPA 99.

³ Not an asset of UIL. Investors should note that the results of others are provided to illustrate the regional prospectivity and there is no guarantee that similar or better results will occur in UIL's permits.

Schedule 5 - Definitions

In this Explanatory Memorandum, the Notice of General Meeting, Proxy Form and Prospectus:

\$ means Australian Dollars

Article means an article of the Constitution.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

AWST means Australian Western Standard Time.

Black Rock means Black Rock Mining Limited ACN 094 551 336

Company or Eneabba means Eneabba Gas Limited ACN 107 385 884.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

Distribution has the meaning given in Section 1.1.

Directors mean the directors of the Company.

Eligible Shareholder means a person registered as the holder of Shares on the Record Date.

Explanatory Memorandum means the explanatory memorandum accompanying the Notice.

GCC means GCC Methane Pty Ltd ACN 118 251 497.

Listing Rules means the official listing rules of ASX.

Meeting has the meaning in the introductory paragraph of the Notice.

Notice of Meeting or Notice means this notice of meeting including the Explanatory Memorandum and the Proxy Form.

Ocean Hill Acquisition Shares has the meaning given in Section 3.1.

Ocean Hill Project has the meaning given in Section 1.1.

OHPL means Oceanhill Pty Ltd ACN 602 409 656.

Option means an option to subscribe for a Share.

Overseas Shareholder means an Eligible Shareholder with a registered address outside of Australia on the Record Date.

Permit Sale Agreement means the Petroleum Permit Sale Agreement between the Company, OHPL and Black Rock in respect to the sale of the Ocean Hill Project.

Projects means the Ocean Hill Project and the Company's interest in EP 447.

Prospectus has the meaning given in Section 2.20.

Proxy Form means the proxy form attached to the Notice.

Record Date means the record date for the Distribution in the timetable in Section 2.2.

Sale Companies means GCC and OHPL.

Sale Agreement means the Agreement for Sale of Shares between the Company, UIL, OHPL, GCC and Black Rock in respect to the sale of the Sale Companies.

Section means a section of the Explanatory Memorandum.

Security means a Share or Option.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

UIL means UIL Energy Ltd ACN 153 352 160.

UIL Option means an option to subscribe for an UIL Share.

UIL Share means a fully paid ordinary share in the capital of UIL.

UIL Consideration Shares has the meaning given in Section 1.2.

UIL Class A Convertible Preference Share means a Class A Convertible Preference Share in the issued capital of UIL on the terms and conditions in Part 1 of Schedule 2.

UIL Class B Convertible Preference Share means a Class B Convertible Preference Share in the issued capital of UIL on the terms and conditions in Part 2 of Schedule 2.

For personal use only

PROXY FORM

ENEABBA GAS LIMITED
ACN 107 385 884

All correspondence to:
Eneabba Gas Limited
PO Box 902
West Perth WA 6872
Phone: 08 9482 0555
Facsimile: 08 9482 0505

I/We _____
(insert name of holder – please print)

Of _____
(insert address of holder – please print)

Appointment of Proxy

I/We being member/s of Eneabba Gas Limited and entitled to attend and vote hereby appoint

The Chair of the Meeting (mark with an 'X') **OR** Write here the name of the person you are appointing if this person **is someone other than** the Chair of the Meeting

or failing the person named, or if no person is named, the Chair of the Meeting or a nominee of the Chair, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Eneabba Gas Limited to be held at 16 Ord Street, West Perth, Western Australia on Monday, 9 May 2016 at 10:00 am (WST) and at any adjournment of that meeting.

Important: The Chair of the Meeting intends to vote all undirected proxies in favour of all Resolutions. If the Chair of the Meeting is your proxy or is appointed your proxy by default, unless you indicate otherwise by ticking either the 'for', 'against' or 'abstain' box, you will be authorising the Chairman to vote in accordance with the Chairman's voting intentions even if those Resolutions are connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

Voting directions to your proxy - please mark
Ordinary business

		X to indicate your directions		
		For	Against	Abstain*
Resolution 1	Approval of Equal Reduction of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Approval for issue of Ocean Hill Acquisition Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

PLEASE SIGN HERE

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

Proxy Notes:

A Shareholder entitled to attend and vote at the Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at the Meeting. If the Shareholder is entitled to cast 2 or more votes at the Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that Meeting, the representative of the body corporate to attend the Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Individual where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name all of the holders should sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be deposited at or received by facsimile transmission at the address below no later than 48 hours prior to the time of commencement of the Meeting (WST).

Postal deliveries: Eneabba Gas Limited
PO Box 902
West Perth WA 6872

Facsimile: (08) 9482 0505 if faxed from within Australia or +61 8 9482 0505 if faxed from outside Australia.

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