

9 Oct 2015

Share Price: \$0.052

UIL ENERGY LIMITED (UIL)

Noisy Neighbours!

We initiate coverage of UIL Energy Limited (UIL) with a Speculative Buy recommendation. UIL holds a significant acreage position (circa 500,000 net acres) in the north and central Perth Basin. With an EV of only A\$5m, UIL should benefit from recent exploration success (AWE) in the northern Perth Basin, but is also leveraged to the significant work program that recently began in the central part of the basin by the likes of Transerv Energy (TSV) and Empire Oil and Gas (EGO). The recent fall in the price of oil has dampened sentiment towards the oil and gas sector, however the positive supply / demand fundamentals of the W.A. domestic gas market could partially insulate Perth Basin operators.

What the neighbours are up to?

Significant exploration activity over the next six months could significantly benefit UIL. AWE's aggressive exploration and appraisal program continues to focus the market on the Perth Basin. AWE recently announced a significant resource upgrade of the Waitsia gas field based on the results from the Waitsia-1 (flowed at 24.7mm scf/d during testing) and Waitsia-2 appraisal wells.

TSV recently completed the first of two wells on permit R6 / R7 (Warro gas field). The Warro field lies directly to the east of EP447 (UIL 50% and operator).

In November EGO is expected to spud the Red Gully North-1 appraisal well. The well is designed to appraise the Gingin-1 discovery made by WAPET in the 1960's. Private company Warrego Energy (Warrego) expects to spud the West Erregulla-2 exploration well. The well is expected to be the first horizontal exploration well drilled in the Perth Basin. (see Figure 2, page 4).

What is UIL?

UIL is an oil & gas exploration company with a primary focus on the Perth Basin, on-shore. Within the Perth Basin, UIL holds over 500,000 net acres, predominantly in the northern part of the basin. The Company is attempting to exploit both conventional and unconventional play types. The Dampier-Bunbury Gas pipeline runs through or in close proximity to all of UIL's Perth Basin acreage. This significantly reduces the hurdle to establishing a commercial gas operation.

The forward work program....

UIL expects to begin a 240km 2D seismic acquisition over EP 447, 488 and 489 in early 2016. The seismic acquisition will be used to better delineate the depths and the structure of the Cattamarra Coal Measures and Kockatea Shale formations within these permits and provide a better understanding of 9 conventional targets already identified. The cost of the seismic shoot is estimated at A\$2m.

Balance sheet and cash

We believe that renewed interest in the Perth Basin combined with a \$6m mkt cap and ongoing drilling activity, provide a platform for significant share price appreciation. At the end of the June quarter UIL had \$2.55m in cash and no debt. UIL's high equity holding in each of its tenements also provides the potential to find a farm-in partner. Risks to our recommendation include a lack of exploration success by UIL and neighbours.

Brief Business Description:

UIL is an oil & gas exploration company with a primary focus on the Perth Basin, on-shore.

Hartleys Brief Investment Conclusion

With a market capitalisation of only \$6.5m UIL should benefit from recent exploration success (AWE) in the northern Perth Basin, but is also leveraged to the significant work program that recently began in the central part of the basin by the likes of Transerv Energy (TSV) and Empire Oil and Gas (EGO).

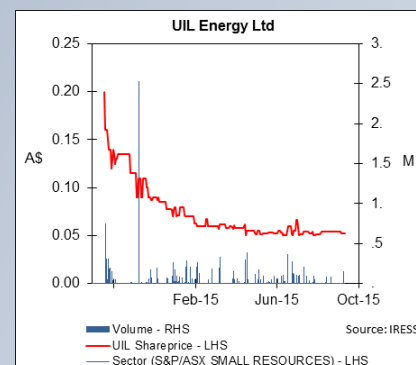
Chairman & CEO:

Simon Hickey	Executive Chairman
John de Stefani	Managing Director

Company Address:

9, 1 Eagle St
Brisbane
QLD 4000

Issued Capital:	81
- fully diluted	145
Market Cap:	\$4.2m
- fully diluted	\$7.6m
Current Debt	\$0.0m
Current Cash	\$2.6m



Authors:

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Oil and Gas Analyst
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Hartleys has provided corporate advice within the past 12 months and continues to provide corporate advice to UIL Energy Limited for which it has earned fees and continues to earn fees.

SUMMARY MODEL

UIL Energy Ltd

UIL

Key Market Information

Share Price

Market Capitalisation

Issued Capital

Issued Capital (fully diluted inc. ITM options)

Options

EV

\$0.052

\$4.2m

81m

145m

36.3m

\$1.7m

\$5.0m

Ordinary

Ordinary

Fully Diluted

Quarterly Cash Flow

A\$ m

FY15

2Q

3Q

4Q

FY

Sales

E & P

Development

Production

Admin

Other

Operating Cash Flow

Investing Cash Flow

Share Issuance

Debt Issuance

Other

Financing Cash Flow

Cash Beginning

Net Cash Flow

Cash End

-0.19

-0.228

0

0

-0.319

0.218

-0.519

4.203

-0.338

3.865

0.084

3.346

3.43

0.02

-0.133

0

0

-0.378

-0.142

-0.633

-0.029

-0.029

3.43

-0.662

2.768

0.011

-0.072

0

0

-0.228

0.075

-0.214

-0.001

2.768

-0.215

-0.159

-0.433

0

0

-0.925

0.151

-1.366

-0.001

4.203

3.836

-0.367

October 2015

Speculative Buy

Directors

Company Information

Simon Hickey

John de Stefani

Keith Skipper

Stephen Bizzell

Executive Chairman

Managing Director

Non-Executive Director

Non-Executive Director

9, 1 Eagle St

Brisbane

QLD 4000

Petroleum Tenements

Basin

Permit

Operator

UIL Interest

Permit Area (Gross)

(km²)

(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

Options & other instruments

Year Expires

Number (m)

% ord

Avg Price

\$m unpaid

31-Dec-15

10.51

13%

0.20

2.10

31-Dec-16

2.00

2%

0.24

0.48

30-Jun-17

6.00

7%

0.30

1.80

31-Dec-18

15.80

20%

0.24

3.79

31-Dec-18

2.00

2%

0.25

0.50

TOTAL

36.31

45%

0.24

8.67

Performance Rights

1.00

Unlisted shares

27.20

Analyst : Simon Andrew

Phone: +61 8 9268 3020

Sources: IRESS, Company Information, Hartleys Research

Last updated

October 9, 2015

UIL Energy Limited (UIL) is an oil & gas exploration company with a primary focus on the Perth Basin, on-shore

BUSINESS OVERVIEW

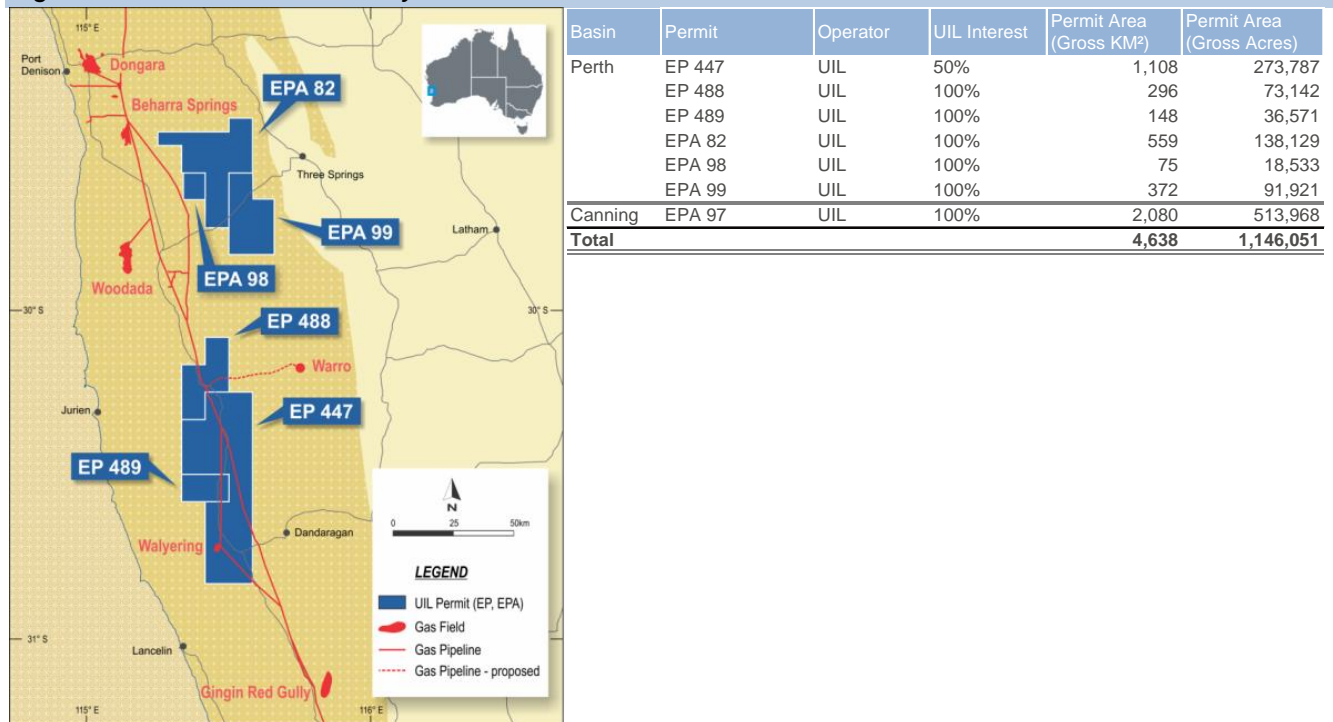
UIL Energy Limited (UIL) is an oil & gas exploration company with a primary focus on the Perth Basin, on-shore. Within the Perth Basin, UIL holds over 500,000 net acres, predominantly in the northern part of the basin. The Company is attempting to exploit both conventional and unconventional play types.

Importantly, the Dampier-Bunbury Gas pipeline runs through or in close proximity to all of UIL's Perth Basin acreage. This significantly reduces the hurdle to establishing commercial gas operation.

UIL listed on the ASX in November 2014. The Company raised A\$4.2m from the issue of 21m shares at 20cps. The largest share of the funds, A\$1.5m, was expected to be spent on preparation and execution of a 2D seismic program on EP488 and EP489.

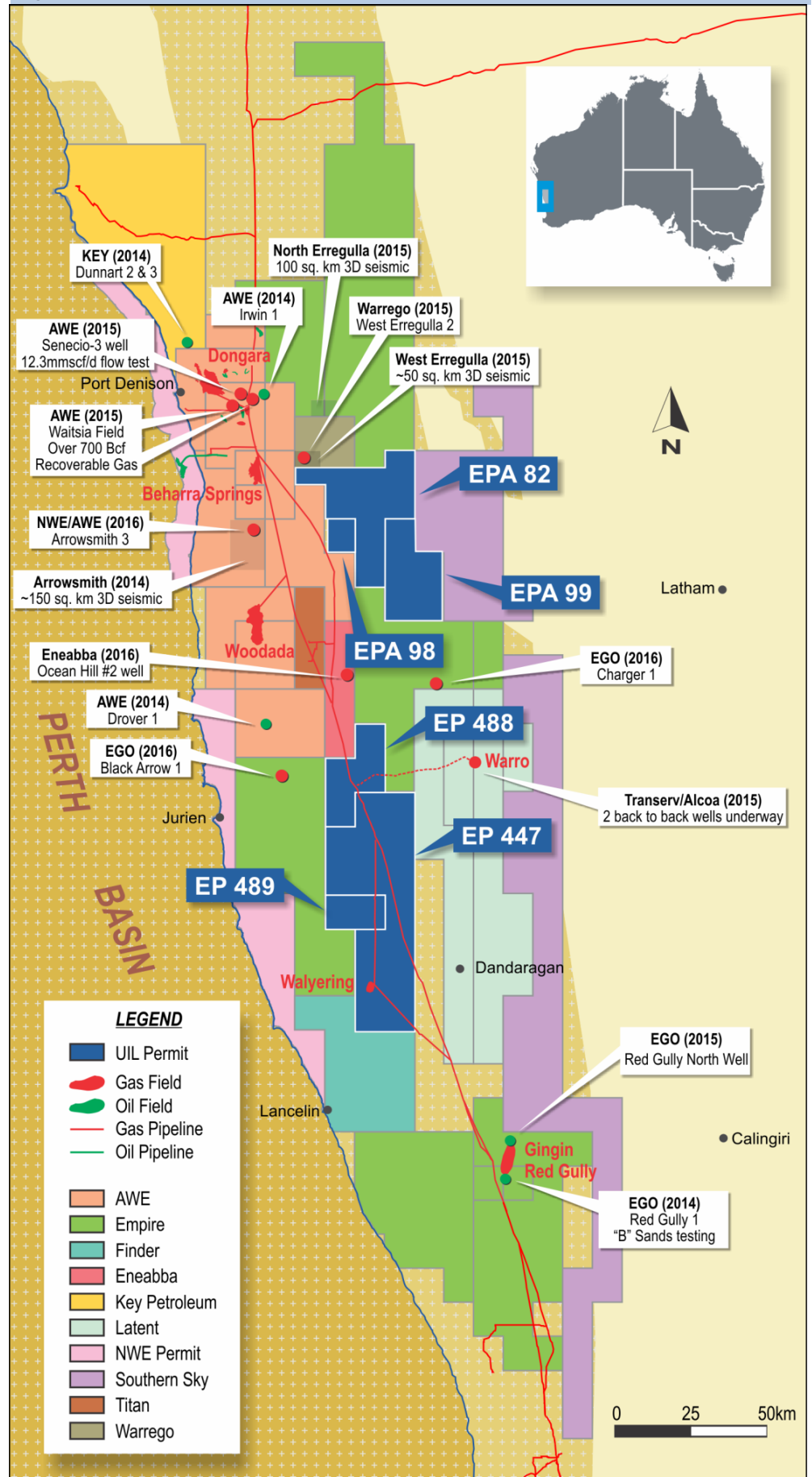
At the end of the June Quarter, UIL had a cash balance of A\$2.55m. The Company estimates spending A\$330k during the current quarter.

Fig. 1: UIL –Permit Summary



Source: UIL

Fig. 2: UIL –Perth Basin Activity Map



Source: UIL

Fig. 3: Perth Basin – exploration and appraisal activity

Company	Permit	Partner	
Transerv (TSV)	R6 / R7	Alcoa	<p>Warro-5 spudded in mid-August</p> <ul style="list-style-type: none"> • Transerv (TSV) recently spudded the first of two wells on permit R6 / R7. • The Warro-5 well is expected to be drilled to a target depth of 4,250m (circa 28 days). The well will be cased from surface, and then suspended whilst Warro-6 is drilled. Both wells will then be stimulated and tested. • 3D seismic has been used to determine the location of the well in an effort to avoid the water encountered in Warro-3 and Warro-4 (likely to have been caused by intense faulting). • The Warro gas field was discovered in the late 1970's. Warro-1 and Warro-2 were drilled in 1977-78 by WAPET. Warro-2 encountered a 390m gas column within the Yarragadee formation. The reason for the inability of these wells to flow gas to surface is believed to have been tight reservoirs and faulting, which may have destroyed lateral sealing. • Warro-3 and Warro-4 were drilled by Transerv in 2009 and 2011 respectively. Both wells confirmed the presence of a significant gas resource with flow rates of up to 600 m scf/d. Similar to earlier wells, deep reservoir faulting was believed to be the cause of significant water ingress. • The Warro field lies directly to the east of UIL's EP447.
Warrego Energy (Private)	EP 469	Dyas Pty (30%) Mazarine Energy (50%)	<p>West Erregulla-2 exploration well in 2016</p> <ul style="list-style-type: none"> • Warrego plans to drill the West Erregulla-2 exploration well in 2016. • Warrego signed a farm-out agreement with Dyas and Mazarine Energy in November 2014. The farm-in focused on the appraisal of the West Erregulla gas field. 3D seismic has been acquired and interpreted. Warrego is seeking alternative funding for the drilling of West Erregulla-2. • Warrego aims to appraise both the conventional and unconventional potential of the field. The West Erregulla field was discovered in 1990 and lies 24km from the Dampier-Bunbury pipeline. • UIL's EPA 82 lies directly to the south of the West Erregulla-2 well location.
AWE Limited (AWE)	L1/L2 EP-320 EP-455	Origin NWE	<p>On-going exploration and appraisal program throughout 2015</p> <ul style="list-style-type: none"> • Senecio-3 - Deepening of the well discovered the Waitsia gas field. Successful appraisal of the Dongara / Wagina sandstone and play opening discovery of the Kingia Formation. • Irwin-1 - 32m gas column in the Dongara / Wagina formation. Kingia interval was water bearing, but similar reservoir quality to Waitsia. • Waitsia-1 - Confirmed initial results from Senecio-3. 95m gross gas column across 3 conventional intervals - Kingia, High Cliff and Dongara Sandstones - in the Waitsia Gas field. Result supports original 2C Contingent Resource estimate of 290 Bcf. • Waitsia-2 – another success - a significant increase in the size of the Waitsia gas field. Following completion of the Waitsia-2 appraisal well, the 2P Reserve + 2C Contingent Resource has been estimated at 484 Bcf, an increase of 67% (previously 290 Bcf). An initial 2P reserve of 178 Bcf has been booked for the Waitsia field, from the Kingia and High Cliff Sandstones. The JV has applied for licensing of a pipeline tying in the Senecio-3, and Waitsia-1 wells to the Xyris production facility.
Empire Oil & Gas (EGO)	EP-389		<p>Red-Gully North-1 expected to spud in October 2015</p> <ul style="list-style-type: none"> • The Red Gully North prospect lies within EP389 (EGO 100%) with the well location sitting 470m from the Gingin-1 discovery. • Importantly the well location is only 4km from the Red Gully processing plant. • The results of Gingin-1 were encouraging enough for the operator to flow test the well. The 6 most productive zones all occurred within the Cattamarra Coal Measures (Early Jurassic). The most productive interval flowed 3.85 MMcf/d and small volumes of 46°API condensate.

Source: Hartleys Research

Central to UIL's work program over the next 6 months is 2D seismic acquisition over EP 447, 488 and 489.

WORK PROGRAM AND CATALYSTS

Central to UIL's work program over the next 6 months is 2D seismic acquisition over EP 447, 488 and 489. UIL has successfully negotiated a variation to the year-two work programs from drilling a well and shooting 240km of 2D seismic, to the shooting of 240 km of 2D seismic and the reprocessing of historic data. UIL gained title in May 2014.

The seismic acquisition will be used to better delineate the depths of the Cattamarra Coal Measures and Kockatea Shale formations within these permits and provide a better understanding of 9 conventional targets already identified. Cost of the seismic shoot is estimated at A\$2m.

Fig. 4: UIL - expected work program and activity by neighbours

Operator	Project/Activity	Q1/Q2	2015						2016								
			Q3			Q4			Q1			Q2			Q3		
			J	A	S	O	N	D	J	F	M	A	M	J	J	A	S
North Perth Basin																	
UIL	Identify exploration targets	COMPLETED															
UIL	Expected grant refinements																
UIL	Planning for seismic acquisition																
UIL	Potential farminee on 3D seismic and well																
AWE	Conventional flow test of Senecio well	COMPLETED															
AWE	Irwin-1 well	COMPLETED															
AWE	Senecio appraisal wells and further testing																
Warrego	Horizontal pilot well																
Norwest	Arrowsmith 3D seismic & horizontal pilot well	SEISMIC COMPLETED															
Central Perth Basin																	
UIL	Identify exploration targets	COMPLETED															
UIL	EP 447 2D seismic acquisition & reprocessing																
UIL	EP 488/EP 489 2D seismic acquisition & reprocessing																
UIL	Potential farminee on 3D seismic and well																
Empire	Gingin/Red Gully B Sands production test	COMPLETED															
Empire	Red Gully North production well																
AWE	Drover-1 well assessment	COMPLETED															
Alcoa	2 stimulated wells in Warro Project																
Eneabba	Ocean Hill #2 well																

Source: UIL

The historic exploration success rate in the northern part of the Basin was about one in ten.

PERTH BASIN

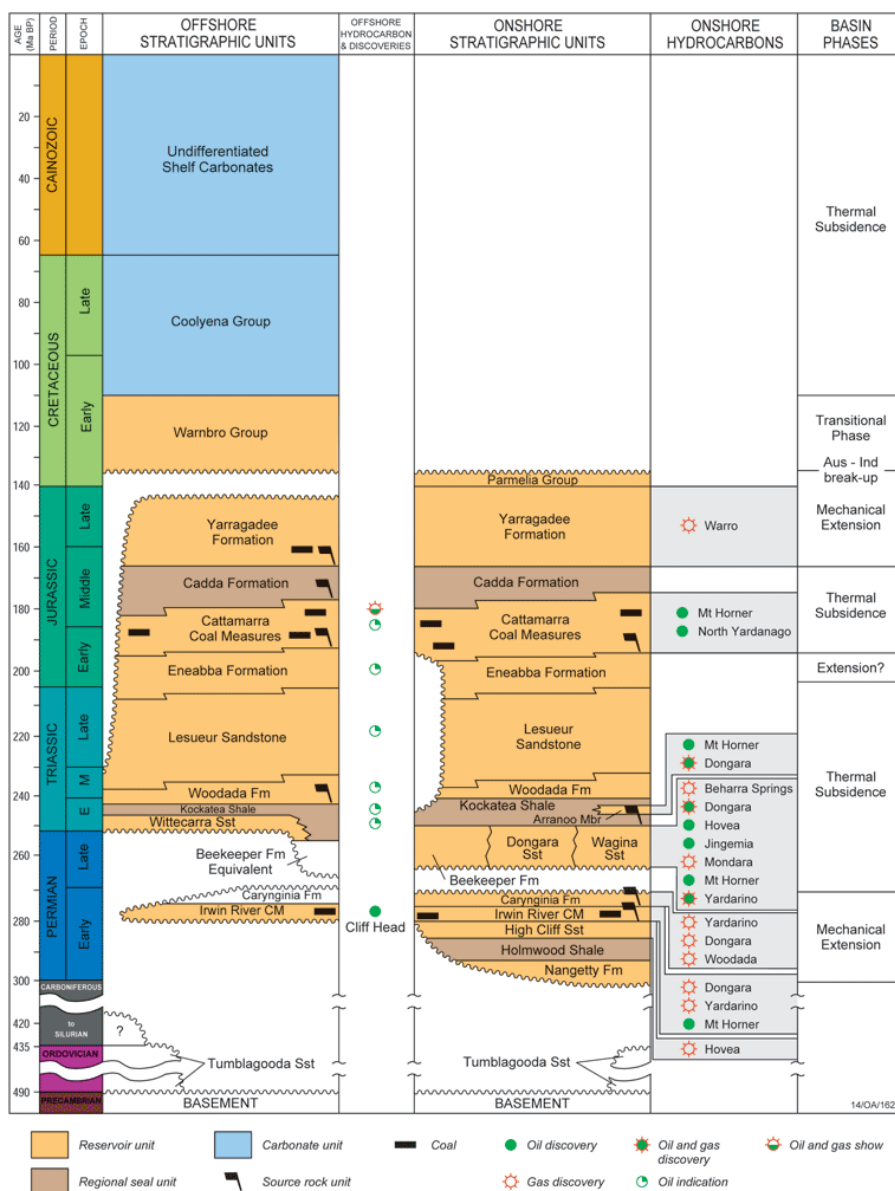
The historic exploration success rate in the northern part of the Basin was about one in ten. Since then, improvements in seismic quality, including the application of three-dimensional seismic surveys, have led to a higher success rate. Major play types include Permian, Triassic and Jurassic anticlines as well as Permian and Triassic tilted fault blocks and stratigraphic traps.

Although exploration activity in the Perth Basin commenced in 1935, the first wildcat well wasn't drilled until 1961. The majority of early stage exploration and drilling was performed by WAPET (now Chevron). Exploration has concentrated on the North Perth Basin around the Geraldton/Dongara area (and Norwest's permits). Seismic surveys have been acquired across all major areas of the Perth Basin.

Fig. 5: Perth Basin Stratigraphy

Northern Perth Basin Stratigraphy

Recent success by AWE at the Waitsia field discovered significant additional resources in the Kingia / High Cliff Sandstone unit



Stratigraphy, petroleum systems elements, and major basin phases of the Northern Perth Basin.

Source: Department of Mineral and Energy WA, Atlas of Petroleum Fields, Onshore Perth Basin

Whilst the southern Perth Basin has proved prospective (Whicher Range), there have been no commercial discoveries

Since the first well (Eneabba 1), more than 250 onshore wells and 40 offshore wells have been drilled. Of the wells drilled, approximately 30 have produced oil and approximately 40 have produced gas for a total of 13 commercial fields. Three-quarters of wells drilled and the majority of accumulations are located in the northern part of the Basin. The gas in the north of the Basin is mainly dry, with minimal condensate production, and the oil is highly paraffinic.

Whilst the southern Perth Basin has proved prospective (Whicher Range), there have been no commercial discoveries. It is a common belief that the southern region has poor sealing potential and limited source rock.

There are two pipelines (the Dampier to Bunbury Natural Gas Pipeline and the Parmelia Pipeline) running through the Basin.

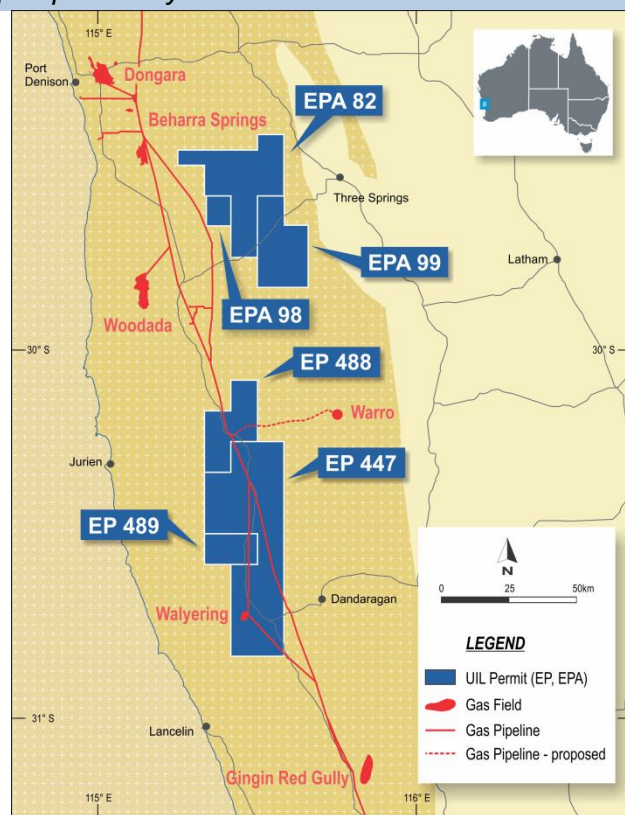
The unconventional potential of the Basin has recently been improved by exploration activities carried out by AWE, and NWE

LOCATION, LOCATION, LOCATION

When considering the prospects and economics of a gas field, location is crucial and the Perth Basin is ideal.

- There are two pipelines (the Dampier to Bunbury Natural Gas Pipeline and the Parmelia Pipeline) running through the Basin.
- There have been numerous discoveries and commercial fields in the Basin. Total reserves produced to date are in excess of 30mmbbls oil and condensate and 625 Bcf gas from 10 fields, all of which are located in the northern part of the Basin.
- The unconventional potential of the Basin has recently been improved by exploration activities carried out by AWE, and NWE. In particular, the program undertaken by the two companies targeting the tight sands of the High Cliff Sandstone, the Irwin River Coal Measures, the Carynginia Shale and the Kockatea Shale. The program proved that each zone can be fraced and will produce gas to surface. It is important to note that the Kockatea also produced oil to surface.
- Given the proximity to Perth and the level of historic exploration in the basin, there are a number of oil and gas services companies close to the region. However, there is an inadequate amount of companies to provide a seamless and timely service. As such, exploring for oil and gas in the Perth Basin can be expensive (due to long distance mobilisation and demobilisation costs) and require careful planning to ensure all equipment is available at the same time.

Fig. 6: UIL Permit Map – proximity to infrastructure



Source: UIL

ASSET OVERVIEW

Southern Perth Basin permits - EP 447, 488 and EP489

UIL believe their central Perth basin permits have both conventional and unconventional potential

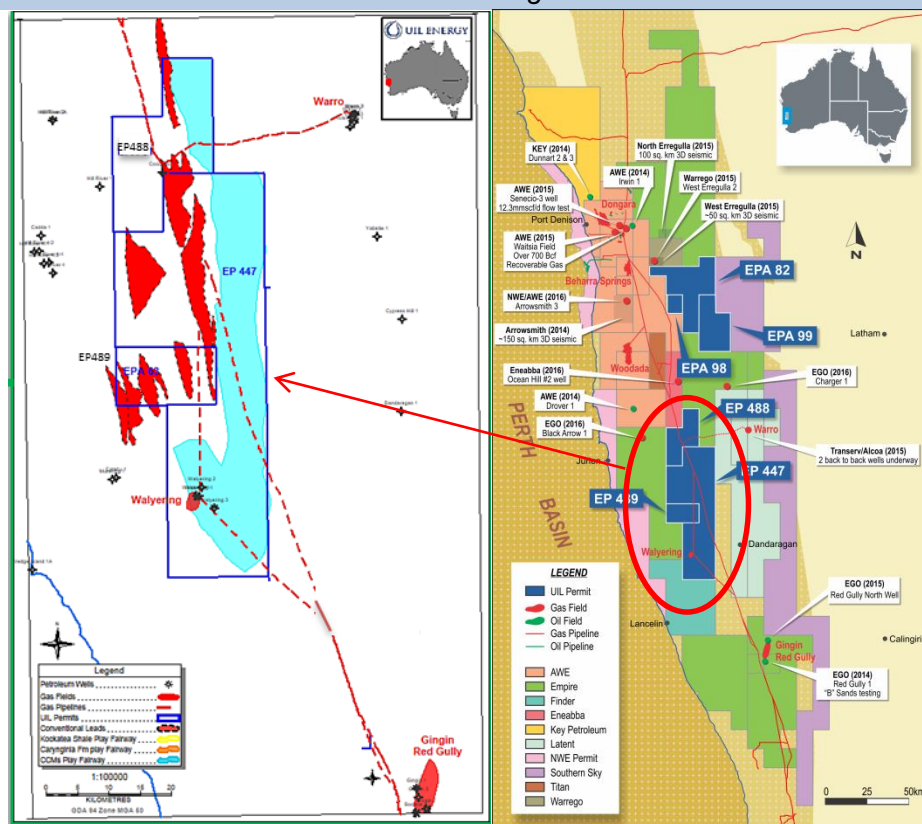
UIL believe their central Perth basin permits have both conventional and unconventional potential. The conventional potential of these permits has been well documented since the 1970's. In 1971 WAPET drilled the Walyearing-1 well which tested at 10 MM scf/d from the Cockleshell Gully Formation (upper member of the Cattamarra Coal Measures). Production declined rapidly which led to the well-being shut in after 3-months. Several subsequent wells were drilled (Walyearing-3 and Walyearing-4) however the main reservoir was found to be water bearing.

Assessment of the CCM encountered within the Walyearing-1 well indicates the presence of higher permeability sands within the upper section of the CCM with inferior permeability in the lower section. The exploration potential of these permits will require close spaced 2D or 3D seismic, given the structural complexity, including significant faulting. The geological potential of the CCM has been independently assessed at 13%.

UIL believe there is also potential for a basin centred gas accumulation (BCGA) to exist within these permits.

UIL believe there is also potential for a basin centred gas accumulation (BCGA) to exist within these permits. Data gathered from Walyearing-3 and Walyearing-4 wells suggests over-pressure may exist below a depth of 3,800m. An independent assessment of the BCGA has assigned a prospective resource to the Cattamarra Coal Measures (CCM) within UIL's southern permits (Best Case Prospective Resource of 328 Bcf).

Fig. 7: UIL - Central Perth basin acreage



Source: UIL

Northern Perth Basin permits – EPA-82, EPA-98 and EPA-99

UIL's northern permits lie to the south west of AWE's recent Waitsia gas field discoveries.

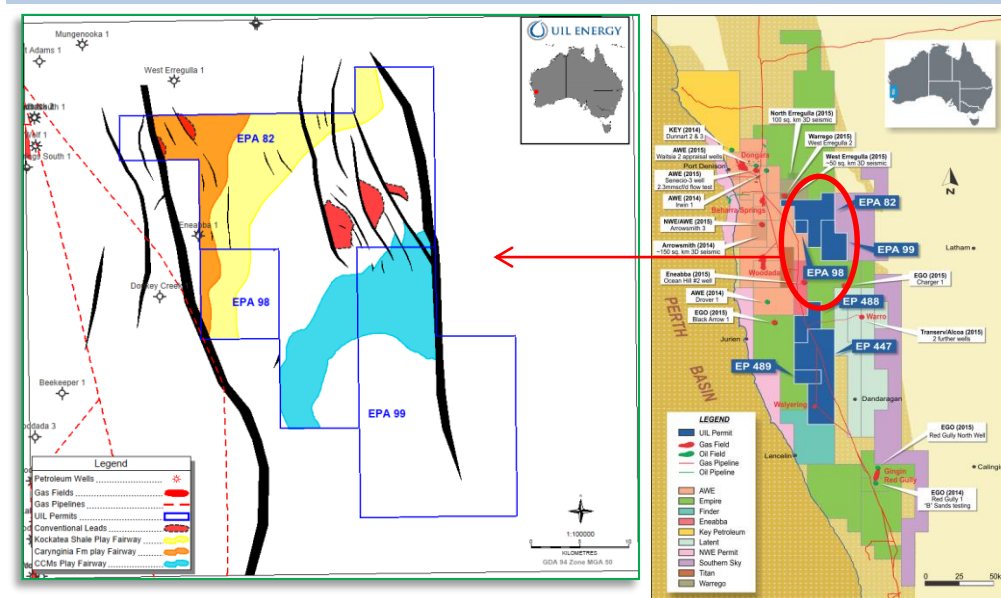
UIL's northern permits lie to the south west of AWE's recent Waitsia gas field discoveries. Future exploration will focus on the assessment of the Kockatea Shale and Carynginia formation across the western side of the southern and northern permits and the Cattamarra Coal Measures on the eastern side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

In addition UIL believe EPA-99 may have similar basin centred gas potential similar to EP-447.

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

No wells have ever been drilled on UIL's northern permits.

Fig. 8: UIL - Northern Perth basin acreage



Source: UIL

MANAGEMENT AND DIRECTORS

Simon Hickey, Executive Chairman: Simon has 20 years experience in resource projects in Australia, North America and Asia. He has been a Director of several ASX and TSX listed companies and has a Bachelor of Commerce and a Graduate Diploma of Applied Finance and Investment. Simon has a record of successfully establishing new businesses in both Australia and North America.

John de Stefani, Managing Director: Prior to UIL Energy, he was CEO of Bow Energy until its acquisition by Shell and Petro China owned Arrow Energy for \$550 million. During the last 18 months as CEO of Bow Energy, over \$150 million was raised to support exploration and early pilot production programs across petroleum tenements and construction of a 30mw gas fired power station. Acreage included eight tenements in QLD covering over 4,000 km² with over 60 wells completed and operational within the last 18 months. Under John's management, Bow Energy held one of the largest uncommitted certified gas reserves in QLD and a total of over 13.8 Tcf of GIP within eight coal seam gas tenements in QLD. In total John managed over 30 tenements comprising a combination of conventional and unconventional petroleum assets across QLD, WA and NSW.

Keith Skipper, Non-Executive Director: Keith is a seasoned and successful global petroleum explorationist, company executive and director with 40 years of diverse industry experiences. He holds a B.Sc. (Hons) degree in geology from Reading University (U.K.) and a M.Sc. (Geology) from McMaster University (Ontario, Canada). Keith advises and consults to various academic, financial and corporate entities on oil and gas exploration, including shale resource projects. His career has included technical and management appointments with AMOCO (now part of BP) in Canada, the US and international; Exploration Manager of Bridge Oil Limited in Australia, Antrim Energy Limited and PanCanadian Petroleum International Limited, now part of EnCana.

Stephen Bizzell, Non-Executive: Stephen Bizzell is the Chairman of boutique corporate advisory and funds management group Bizzell Capital Partners Pty Ltd. He is also a Non-executive Director of Armour Energy Ltd, Diversa Ltd, Titan Energy Services Ltd, Stanmore Coal Ltd and Queensland Treasury Corporation and Chairman of Laneway Resources Ltd and Renascor Resources Limited. Mr Bizzell was an Executive Director of Arrow Energy Ltd from 1999 until its acquisition in 2010 by Shell and PetroChina for \$3.5 billion. He was instrumental in Arrow's corporate and commercial success and its growth from a junior explorer to a large integrated energy company. He was also a founding director of Bow Energy Ltd until its \$550 million takeover.

Fig. 9: Board and Management Shareholding

	Shares		Options	
	# Held	%	# Held	%
Simon Hickey	18,199,044	22.5%	2,842,075	7.8%
John de Stefani	9,469,921	11.7%	4,223,400	11.6%
Stephen Bizzell	7,475,258	9.2%	4,223,400	11.6%
Keith Skipper			500,000	1.4%

Source: Company Data

CASH FLOW

Fig. 10: Quarterly Cash Flow

	FY15			
A\$ m	2Q	3Q	4Q	FY
Sales	-0.19	0.02	0.01	-0.16
E & P	-0.23	-0.13	-0.07	-0.43
Development				0.00
Production				0.00
Admin	-0.32	-0.38	-0.23	-0.93
Other	0.22	-0.14	0.08	0.15
Operating Cash Flow	-0.52	-0.63	-0.21	-1.37
Investing Cash Flow	0.00	0.00	0.00	0.00
Share Issuance	4.20			4.20
Debt Issuance				0.00
Other	-0.34	-0.03	0.00	-0.37
Financing Cash Flow	3.87	-0.03	0.00	3.84
Cash Beginning	0.08	3.43	2.77	
Net Cash Flow	3.35	-0.66	-0.22	
Cash End	3.43	2.77	2.55	

Source: UIL

OPTIONS, CONVERTIBLES AND UNPAID CAPITAL

Fig. 11: Options, Performance Rights and Un-listed shares

Options & other instruments

Year Expires	Number (m)	% ord	Avg Price	\$m unpaid
31-Dec-15	10.51	13%	0.20	2.10
31-Dec-16	2.00	2%	0.24	0.48
30-Jun-17	6.00	7%	0.30	1.80
31-Dec-18	15.80	20%	0.24	3.79
31-Dec-18	2.00	2%	0.25	0.50
TOTAL	36.31	45%	0.24	8.67
Performance Rights	1.00			
Unlisted shares	27.20			

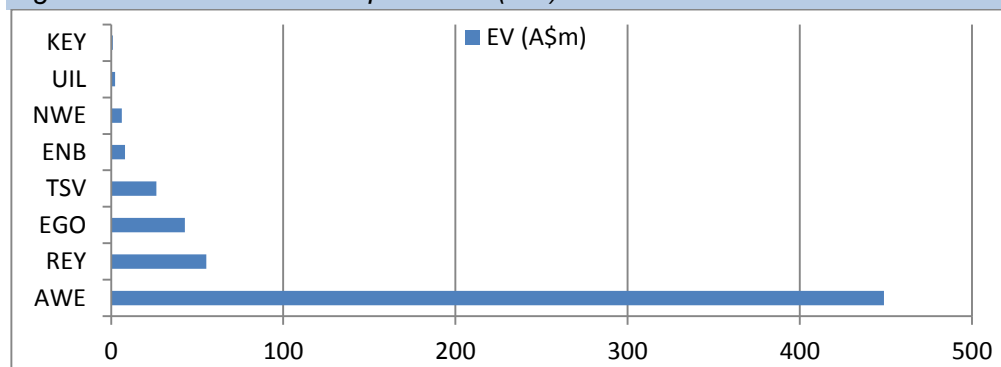
Source: UIL

VALUATION

Renewed interest in the Perth Basin combined with a \$6m mkt cap and ongoing drilling activity, provide a platform for significant share price appreciation

At this early stage we are not prepared to formally value UIL. We do, however, believe that renewed interest in the Perth Basin combined with a \$5m EV and ongoing drilling activity, provide a platform for significant share price appreciation. At the end of the June quarter UIL had \$2.55m in cash and no debt. UIL's high equity holding in each of its tenements also provides the potential to find a farm-in partner.

Fig. 12: Perth Basin Operators (EV)



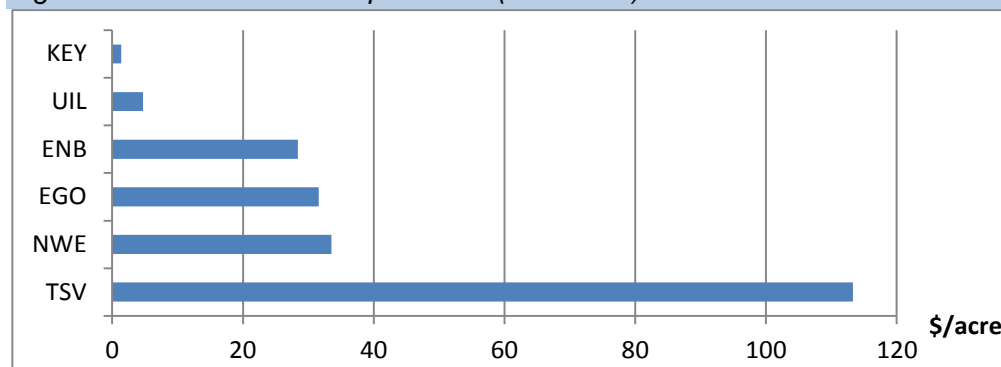
Source: Iress, Company Data

Fig. 13: Perth basin Operators

Code	Company	Asset Location	Mkt Cap (Am)	Debt (A\$m)	Cash (A\$m)	EV (A\$m)	Permits	Production	Drilling - next 12-months
AWE	AWE Limited	Perth Basin / Other	416.1	170	47.0	539	6	Yes	Yes
REY	REY Resources Limited	Perth Basin / Canning Basin	49.8	0	1.7	48	1	No	No
TSV	Transerv Energy Limited	Perth Basin	39.5	0	2.0	38	3	No	Yes
NWE	Norwest Energy NL	Perth Basin	5.8	1	1.0	6	6	No	No
ENB	Eneabba Gas Limited	Perth Basin	7.0	0	1.0	6	2	No	No
EGO	Empire Oil & Gas NL	Perth Basin	51.0	15	13.0	53	13	Yes	Yes
UIL	UIL Energy Ltd	Perth Basin	4.4	0	2.0	2	5	No	No
KEY	KEY Petroleum Limited	Perth Basin / Canning Basin	2.9	0	2.7	0	1	No	No

Source: Iress, Company Data

Fig. 1: Perth Basin Operators (EV/ acre)



Source: Iress, Company Data

UIL carries the usual risks associated with exploration – geological, access to capital etc

RISKS

Investment in the oil and gas sector should be considered high risk. There is no guarantee of exploration success. Further to this, producing assets typically decline without further exploration and development. Specific risks include exploration risk, development risk and production risk.

SIMPLE S.W.O.T. TABLE

Strengths	Experienced management team Numerous prospects Near term cashflow Strong domestic gas market High working interest across entire acreage position
Weaknesses	Need to find a farm-in partner Capital constrained
Opportunities	Opportunity to leverage off exploration success of others in the Perth Basin Continuing exploration and operational success could improve Company reputation
Threats	Exploration failure Environmental concerns

Source: Hartleys Research

HARTLEYS CORPORATE DIRECTORY

Research

Trent Barnett	Head of Research	+61 8 9268 3052
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Hartleys Recommendation Categories

Buy	Share price appreciation anticipated.
Accumulate	Share price appreciation anticipated but the risk/reward is not as attractive as a "Buy". Alternatively, for the share price to rise it may be contingent on the outcome of an uncertain or distant event. Analyst will often indicate a price level at which it may become a "Buy".
Neutral	Take no action. Upside & downside risk/reward is evenly balanced.
Reduce / Take profits	It is anticipated to be unlikely that there will be gains over the investment time horizon but there is a possibility of some price weakness over that period.
Sell	Significant price depreciation anticipated.
No Rating	No recommendation.
Speculative	Share price could be volatile. While it is anticipated that, on a risk/reward basis, an investment is attractive, there is at least one identifiable risk that has a meaningful possibility of occurring, which, if it did occur, could lead to significant share price reduction. Consequently, the investment is considered high risk.

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