



Ultraclean Fuel Limited
ACN 111 212 983

UCF Off-market Takeover Offer:

Target's Statement and Independent Expert Report

Dear Shareholder,

On the 4th January 2021, Ultraclean Marine Limited (UCM) and Ultraclean Fuel Limited (UCF) entered into a bid implementation agreement under which it was proposed that UCM would make a conditional off-market takeover offer (Offer) for all the fully paid ordinary shares of UCF.

UCM subsequently lodged its Bidder's Statement with ASIC on the 5th January. Hard copies of the Bidder's Statement and the Acceptance Form were posted to all UCF shareholders in the week starting the 11th January. If you have not received the offer package by the 22nd January, please contact Andrew McFadden on +61 2 8188 8913.

The Corporations Act requires UCF, as the target, to respond to the bidder's statement in a document that is sent to UCF shareholders called a 'target's statement'. In short, the Target's Statement will contain the UCF directors' recommendation on whether to accept the Offer. A copy of the Target's Statement has been sent to all UCF shareholders. If you have not received a copy, please contact the UCF Company Secretary on +61 2 4353 8555 or email info@ultracleanfuel.com.

The UCF independent board committee (IBC), established to consider the terms of the Offer and to advise on and manage the Offer on behalf of the UCF board of directors, unanimously recommend, in the absence of a superior proposal, that UCF shareholders ACCEPT THE OFFER; and the UCF directors that hold UCF Shares have indicated that they will ACCEPT THE OFFER in respect of all UCF Shares they own or control, in the absence of a superior proposal.

As there are common directors of UCM and UCF, the UCF board is required under the Corporations Act to appoint an independent expert to provide a report as to whether or not the Offer is fair and reasonable to UCF shareholders. UCF appointed Moore Australia to provide this independent expert's report (IER). **The Independent Expert has concluded that, in the absence of an alternative offer, the Takeover Offer is fair and reasonable to the non-associated shareholders of UCF and all shareholders generally.** A copy of the IER has been sent to all UCF shareholders. If you have not received a copy, please contact the UCF Company Secretary on +61 2 4353 8555 or email info@ultracleanfuel.com.

WHAT YOU SHOULD DO

The IBC unanimously recommends, in the absence of a Superior Proposal, that you ACCEPT the Takeover Offer for all the UCF Shares you hold by following the instructions outlined in the Bidder's Statement.

WHAT YOU NEED TO DO

You should read the attached Target's Statement in its entirety. If you have any questions regarding the Takeover Offer or the Target's Statement, please contact the UCF Company Secretary on +61 2 4353 8555 or email info@ultracleanfuel.com.

If you wish to accept the Offer, you must return the signed Acceptance Form by **5:00pm (Sydney Time) on the 16th February 2021**, unless extended in accordance with the Corporations Act.

YOU CAN ACCEPT THE TAKEOVER OFFER BY FOLLOWING THE INSTRUCTIONS IN THE BIDDER'S STATEMENT AND COMPLETING THE ACCEPTANCE FORM ENCLOSED WITH THE BIDDER'S STATEMENT PRIOR TO THE CLOSE OF THE TAKEOVER OFFER.

The Offer is **subject to a 90% minimum acceptance condition**, which in simple terms means that the takeover bid will only proceed if UCM is successful in acquiring 90% of the ordinary shares in UCF (thereby becoming entitled to compulsorily acquire all the outstanding UCF Shares). **To reach the required 90% will require all UCF shareholders who want to accept the Offer to complete the Acceptance Form and return it by the deadline.**

We will be providing UCF shareholders with regular updates over the coming weeks regarding how the takeover bid is progressing.

Rationale for the Offer

We believe that there are compelling reasons for UCF shareholders to ACCEPT THE OFFER, including but not limited to the following:

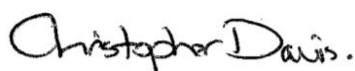
- The Combined Group will be able to apply its patented Ultrex® Process to reduce sulphur across the full spectrum of hydrocarbon fuel markets, including but not limited to diesel, transmix, used motor oils, light cycle oils as well as heavy fuels oils and marine gas oils. This will enhance its ability to attract partners and funding for its current and future growth opportunities.
- The Combined Group will eliminate any confusion in the marketplace and amongst potential investors as to the corporate identity and operations of each of UCM and UCF.
- UCF and UCM shareholders will be able to participate in the expected upside from the realisation of synergies through removing duplication of costs across the operations of the Combined Group.
- The Combined Group will have a larger balance sheet than UCF on a standalone basis which will also enhance its ability to attract partners and funding for its current and future growth opportunities.
- UCF shareholders will receive attractive value for their UCF Shares (8.4 new UCM Shares for each UCF Share held).

As the Chief Executive Officer of UCM and UCF (under power of attorney), and a member of the UCF IBC, I am strongly recommending that, in the absence of a superior proposal, that UCF Shareholders ACCEPT THE OFFER.

UCF applied for and was granted relief by ASIC to allow UCF to email the Target's Statement and IER to all UCF shareholders. However, if you would like to receive a hardcopy of these documents, please don't hesitate to contact the UCF Company Secretary on +61 2 4353 8555 or email info@ultracleanfuel.com. Please also note that the fact that ASIC has granted this relief in connection with the takeover bid should not be taken as a reflection of ASIC's views on any other aspect of the takeover bid.

If you have any questions in relation to the takeover bid, please don't hesitate to contact the UCF Company Secretary on +61 2 4353 8555.

Kind regards,

A handwritten signature in black ink that reads "Christopher Davis".

Chris Davis
On behalf of Ultraclean Fuel Limited
