

# hawkley OIL & GAS

## *ANNUAL REPORT*

*2017*

# CORPORATE DIRECTORY

## DIRECTORS

### Mr David Lloyd

Non-Executive Chairman

### Mr Bill Foster

Non-Executive Director

### Mr Edmund Babington

Non-Executive Director

## COMPANY SECRETARY

Mr Murray Wylie

## REGISTERED OFFICE AND

### PRINCIPAL PLACE OF BUSINESS

Suite 3 / Level 3, 1292 Hay Street,  
West Perth WA 6005

Phone +61 8 9226 3211

Fax +61 8 9322 4073

Website [www.hawkleyoilandgas.com](http://www.hawkleyoilandgas.com)

## STOCK EXCHANGE

Hawkley Oil and Gas Limited

ASX code - HOG

## CORPORATE GOVERNANCE

The Company has adopted the 3rd Edition of the ASX Corporate Governance Recommendations.

A summary statement which has been approved by the Board together with current policies and charters is available on the Company website at [www.hawkleyoilandgas.com](http://www.hawkleyoilandgas.com).

## OUR VISION

*Hawkley's vision is to create a world-class, multi-billion dollar, independent oil and gas company, with a portfolio of quality assets that will maximise shareholder returns.*

## AUDITORS

Ernst and Young

11 Mounts Bay Road, Perth WA 6000

Phone +61 8 9429 2222

Fax +61 8 9429 2436

## SHARE REGISTRY

Security Transfer Australia Pty Ltd

PO Box 52

Collins Street West, VIC 8007

Phone +61 3 9628 2200

Fax +61 8 9315 2233

## BANKERS

National Australia Bank

1238 Hay Street, West Perth WA 6000

## SOLICITORS

DLA Piper Australia

Level 31, Central Park

152-158 St Georges Terrace

Perth WA 6000

Phone +61 8 6467 6000

Fax +61 8 6467 6001

## Hawkley Oil and Gas Limited

ABN 68 115 712 162

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# CHAIRMAN'S REPORT

## DEAR SHAREHOLDERS

On behalf of the Board of Directors, I hereby present the 2017 Annual Report and Financial Statements for Hawkley Oil & Gas Limited.

## OPERATIONS

Following the halt in gas production in 2014 and the ongoing political issues in Ukraine, the Company entered into an agreement to sell its Ukraine assets in February 2016, which was approved by shareholders in March 2016. After numerous delays, the sale was finally concluded on 11 November 2016, enabling the Company to settle its unsecured loans and other creditor claims.

Since completing the sale, the Company has been actively pursuing other projects within Oil & Gas as well as considering opportunities in other sectors. Under the ASX Listing Rules, a company may continue trading for 6 months after disposing of its main undertaking whilst it seeks a new undertaking. Efforts to identify and acquire Oil & Gas prospects with acceptable development potential and capital requirements that would also satisfy the ASX requirements for continued trading within the available timeframe were unsuccessful. As a result, trading in the Company's shares was suspended on 11 May 2017.

Whilst the Group recorded a consolidated profit of \$12,806,374 after tax this year, this was mainly the result of accounting entries to reclassify \$12,068,988 associated with foreign exchange differences from other comprehensive income to profit & loss following disposal of the Group's foreign subsidiaries. The foreign exchange differences, previously recognised in reserves, mainly resulted from the major devaluation of the Ukrainian Hryvnia (UAH) currency in 2014/15 following the annexation of Crimea by Russia.

## CORPORATE ACTIVITIES

In March this year, Glenn Featherby, Piers Lewis and Murray Wylie stepped down from the Board and Ed Babington and myself joined with Bill Foster to take the Company forward. I would like to thank the outgoing directors for a smooth transition and their endeavours in completing the sale of the Company's Ukraine assets.

## OUTLOOK

The ASX has indicated that in order to resume trading the Company is likely to be required to undergo full recompliance with Chapters 1 and 2 of the Listing Rules. The Board continues to seek a suitable acquisition as well as considering potential corporate transactions in other sectors that would enable recapitalisation of the Company and a resumption of share trading.

I would like to extend my thanks to all our employees and directors for their contribution and all our shareholders for their support during 2016-2017.



**David Lloyd**  
CHAIRMAN

# FINANCIAL REPORT

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# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

Your directors present their report for the financial year ended 30 June 2017.

### DIRECTORS

The names of the directors in office at any time during, or since the end of the year are:

NAMES	POSITION	APPOINTED/RESIGNED
Mr. David Lloyd	Non-Executive Chairman	Appointed 16 March 2017
Mr. Bill Foster	Non-Executive Director	
Mr. Edmund Babington	Non-Executive Director	Appointed 16 March 2017
Mr. Glenn Featherby	Executive Chairman	Resigned 16 March 2017
Mr. Piers Lewis	Non-Executive Director	Resigned 16 March 2017
Mr. Murray Wylie	Non-Executive Director	Resigned 16 March 2017

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### COMPANY SECRETARY

Mr. Murray Wylie was appointed on 3 May 2013. He has more than 30 years' experience in administrative and accounting roles in both the public and private sectors. Mr. Wylie holds a Bachelor of Commerce degree and is a member of the Governance Institute of Australia. He has 9 years' experience as Company Secretary of several ASX and AIM listed companies.

### PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of exploration for oil and gas. During the year the Company completed the sale of its oil and gas assets in Ukraine. The Company is currently seeking other investment opportunities.

### OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The consolidated profit of the Group for the financial year after providing for income tax amounted to \$12,806,374 (2016: \$718,589 loss). The consolidated loss from continuing operations for the financial year was \$230,069 (2016: \$354,440).

Further discussion on the Group's operations now follows.

### SALE OF UKRAINE ASSETS

Production of gas and gas condensate from the Sorochynska 201 well in Ukraine ceased in December 2014, due to water influx. The Company's efforts to restart production, including installation of additional compression equipment, were unsuccessful. Since then, Hawkley pursued potential farm-in and joint arrangement options to maximise value from its Ukraine assets. With the ongoing political tensions and conflict between Ukraine and Russia, the Company was unable to attract any investment monies for Ukraine so the Company sought to sell its Ukraine assets.

# **HAWKLEY OIL AND GAS LIMITED**

## **DIRECTORS' REPORT**

**30 JUNE 2017**

### **OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR (CONTINUED)**

On 2 February 2016, Hawkley announced that it had entered into a binding agreement with Tomeas Assets Limited ("Tomeas") for the sale, subject to shareholder and regulatory approvals, of its 100%-owned Ukraine assets for cash settlement of US\$1,000,000. A meeting of shareholders held on 16 March 2016 approved the disposal of the Company's main undertaking in accordance with ASX Listing Rule 11.2.

An initial deposit of US\$100,000 was received in February 2016 however Tomeas failed to pay the remaining US\$900,000. After failing to settle despite several extensions, Hawkley terminated the sale agreement on 11 August 2016 so that it could pursue discussions with other interested parties.

On 11 November 2016, the sale to Tomeas was completed with the additional US\$900,000 sale proceeds used primarily to clear the Company's unsecured loans (A\$598k), finalise its Ukraine obligations (US\$345k) and settle other creditor claims.

### **CORPORATE**

On 16 March 2017, Mr. David Lloyd and Mr. Edmund Babington joined the Board as Non-Executive Chairman and Non-Executive Director respectively. Mr. Glenn Featherby, Mr. Piers Lewis and Mr. Murray Wylie resigned as directors of Hawkley. Mr. Wylie continued in his role as Company Secretary.

On 16 March 2017, EMCO Resources Pty Ltd ("EMCO"), an entity associated with Mr. Lloyd, took a placement of 49,711,290 fully paid ordinary shares in Hawkley at 0.4 cents per share raising \$198,845 before costs. The placement agreement also provided, subject to shareholder agreement, for EMCO to receive 24,855,645 options (1 for 2) with an exercise price of 0.5 cents per share and expiring 31 January 2020. The agreement also provided for the issue of 500,000 advisor options to Mr. Edmund Babington or his nominee on the same terms.

Shareholders ratified the issue of placement shares and approved the grants of options at a general meeting on 22 June 2017. At the same meeting, shareholders also confirmed the appointment Mr. Lloyd and Mr. Babington as directors and approved the conversion of \$300,513 in outstanding directors' fees into equity at 0.4 cents per share.

### **ASX SUSPENSION**

The shares of Hawkley were suspended from trading on the ASX from 11 May 2017. ASX policy, in accordance with Chapter 12 of the Listing Rules, is to allow companies that have disposed of their main undertakings a six-month period within which to satisfy ASX that the company has a sufficient level of operations to justify continued quotation of the Company's securities. Following the disposal of its Ukraine assets on 11 November 2016, the Company was not able to satisfy the ASX that it was in compliance with Chapter 12 and was suspended from trading on 11 May 2017. The Company expects that its shares will remain suspended on the ASX until such time as the Company completes a transaction and is able to satisfy ASX that it is in compliance with Chapter 12.

The Company sought suitable Oil & Gas opportunities that would satisfy ASX requirements and not require significant acquisition capital to be raised. The Company could not locate a suitable acquisition in the time available and the ASX has indicated that in order to resume trading the Company is likely to be required to undergo full recompliance with Chapters 1 and 2 of the Listing Rules. The Board continues to seek a suitable acquisition as well as considering potential corporate transactions suitable for recapitalisation of the Company and resumption of share trading. The Board has broadened its scope to consider opportunities in other sectors.

# **HAWKLEY OIL AND GAS LIMITED**

## **DIRECTORS' REPORT**

**30 JUNE 2017**

### **OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR (CONTINUED)**

#### **DIVIDENDS PAID OR RECOMMENDED**

No dividends were paid or declared since the start of the financial year. No recommendation for payment of dividends has been made.

#### **FINANCIAL POSITION**

The net financial position of the Group has increased to a net asset position of \$68,210 at 30 June 2017 (2016: net liability position of \$1,194,935). The increase has resulted from the sale of the Company's oil & gas assets in Ukraine and subsequent repayment of debt.

#### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

On 11 November 2016 the Company completed the sale of its Ukraine assets to Tomeas Assets Limited for US\$1,000,000 in cash. On 11 May 2017 the Company was suspended from trading on the ASX because the Company was no longer able to satisfy ASX requirements for continued quotation under Chapter 12 of the Listing Rules. No other significant changes in the Group's state of affairs occurred during the financial year.

#### **EVENTS SUBSEQUENT TO BALANCE DATE**

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

#### **FUTURE DEVELOPMENTS**

The likely developments in the operations of the Group and the expected results of those operations in future financial years are subject to successfully acquiring a suitable project or corporate transaction to recapitalize the Company and satisfy ASX requirements for a resumption of trading.

#### **ENVIRONMENTAL ISSUES**

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.



# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### INFORMATION ON DIRECTORS

<b>Mr. David Lloyd</b>	Non-Executive Chairman (appointed 16 March 2017)
Experience	Mr. Lloyd has substantial commercial experience in the private sector. He has had commercial interests in the petroleum sector spanning 30 years, with the first ventures transacting sales of Oil & Gas subsidiaries of US Multi Nationals to Australian listed entities. Subsequently he partnered with exploration and production projects in Texas and took the opportunity to undertake international projects. David has developed a broad network of consultancy based resources primarily located in Texas, Colorado and Alberta.
Interest in Shares and Options at the date of this report	49,711,290 ordinary shares and 24,855,645 options exercisable at 0.5 cents expiring on 31 January 2020.
Directorships held in other listed entities during the three years prior to the current year	Nil
<b>Mr. Bill Foster</b>	Non-Executive Director
Experience	Mr. Foster is an engineer with extensive technical, commercial and managerial experience in the energy industry over a 40 year period. He has been an advisor to a major Japanese trading company for the last 20 years in the development of their global E&P and LNG activities and has spent time prior to this working internationally in the development of a number of energy companies.
Interest in Shares and Options at the date of this report	10,853,810 ordinary shares and 2,000,000 options exercisable at 10 cents expiring on or before 30 September 2018.
Directorships held in other listed entities during the three years prior to the current year	Carnarvon Petroleum Limited

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### INFORMATION ON DIRECTORS (CONTINUED)

<b>Mr. Edmund Babington</b>	Non-Executive Director (appointed 16 March 2017)
Experience	Mr. Babington is a Director of the Western Australian law firm, Lyons Babington Lawyers. He is also a member of AMPLA (the Australian resources and energy law association) and is a Western Australian committee member of the Australian Institute of Business Brokers. Mr. Babington is a specialist in mining and resources law and the law relating to capital raisings, stock exchange requirements, corporate governance and compliance for public companies.
Interest in Shares and Options at the date of this report	500,000 options exercisable at 0.5 cents expiring on or before 31 January 2020.
Directorships held in other listed entities during the three years prior to the current year	FYI Resources Ltd
<b>Mr. Glenn Featherby</b>	Executive Chairman (resigned 16 March 2017)
Experience	Mr. Featherby has over 30 years' experience in corporate advisory work and has worked extensively in the resources sector. He worked with KPMG in Perth and London before establishing his own accounting practice in Perth in 1997. Mr. Featherby is Chairman of Forte Energy NL, listed on the AIM market. He has previously been Finance Director of AIM-listed Regal Petroleum Plc and Non-Executive Director of Canadian and AIM-listed European Goldfields Limited.
Directorships held in other listed entities during the three years prior to the current year	Patagonia Gold Plc Ochre Group Holdings Limited Forte Energy NL (resigned 30 August 2016)
<b>Mr. Piers Lewis</b>	Non-Executive Director (resigned 16 March 2017)
Experience	Mr. Lewis is a Chartered Accountant and Chartered Company Secretary with 20 years of global corporate experience and serves as Company Secretary on several ASX listed companies. Mr. Lewis has extensive contacts within various financial institutions and broking houses within Australia and the UK.
Directorships held in other listed entities during the three years prior to the current year	Voyager Global Group Ltd Ardiden Limited Ultima United Limited

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### INFORMATION ON DIRECTORS (CONTINUED)

<b>Mr. Murray Wylie</b>	Non-Executive Director (resigned 16 March 2017)
Experience	Mr. Wylie has more than 30 years' experience in administrative and accounting roles in both the public and private sectors and serves as Company Secretary of Hawkley and two other listed companies. Mr. Wylie holds a Bachelor of Commerce degree and is a member of the Governance Institute of Australia.
Directorships held in other listed entities during the three years prior to the current year	Nil

During the financial year, 6 meetings of directors (including committees of directors) were held. Due to the Company's current status, the Board has elected not to appoint separate committees as all directors are involved in reviewing and directing the operations of the Company including audit and remuneration matters. Attendances by each director during the year were as follows:

	DIRECTORS' MEETINGS		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr David Lloyd	3	3	-	-	-	-
Mr Bill Foster	5	5	-	-	1	1
Mr Edmund Babington	3	2	-	-	-	-
Mr Glenn Featherby	3	3	-	-	-	-
Mr Piers Lewis	3	2	-	-	1	1
Mr Murray Wylie	3	3	-	-	-	-

### INDEMNIFYING OFFICERS OR AUDITORS

Subsequent to the end of the financial year, the Group has entered into an insurance contract for the indemnification of Directors and Officers of the Company. The total amount of insurance contract premiums paid was \$7,713.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement, against claims made by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the end of the financial year.

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### OPTIONS/PERFORMANCE RIGHTS

At the date of this report, there are 36,355,645 unissued ordinary shares of Hawkley Oil and Gas Limited under option.

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
17 January 2014	30 September 2018	\$0.10	9,000,000
27 December 2013	30 September 2018	\$0.10	2,000,000
22 June 2017	31 January 2020	\$0.005	25,355,645
			<hr/> 36,355,645 <hr/>

During the year ended 30 June 2017, no ordinary shares of Hawkley Oil and Gas Limited (2016: nil) were issued on the exercise of performance rights. There were no ordinary shares of Hawkley Oil and Gas Limited issued on the exercise of options.

### PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

The Group was not a party to any such proceedings during the financial year.

### NON-AUDIT SERVICES

The Board of Directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the financial year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

There were no non-audit services provided by the external auditors in the current or prior period.

**HAWKLEY OIL AND GAS LIMITED**

**DIRECTORS' REPORT**

**30 JUNE 2017**

**NON-AUDIT SERVICES (CONTINUED)**

The following fees were paid to the external auditors during the year ended 30 June 2017:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Auditing or reviewing the financial report	24,926	21,180
	<hr/>	<hr/>
	24,926	21,180

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2017 has been received and can be found on page 19 of the financial report.

#### REMUNERATION REPORT (AUDITED)

##### REMUNERATION POLICY

The performance of the Group depends upon the quality of its Directors and other key management personnel.

The Group's broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

##### Remuneration Committee

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Executive Directors and the senior management team.

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments (including option allocations) of such Officers on a periodic basis by reference to the relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and key management personnel.

##### Executive Remuneration Structure

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of Executive Directors' and Officers' emoluments (including option allocations) to the Group's financial and operational performance. All Directors and other key management personnel will have the opportunity to qualify for participation in the Employee Share Option Plan and the Performance Rights Plan that was approved at the annual general meeting of 30 November 2016.

##### *Fixed Remuneration*

The level of fixed remuneration is set so as to provide a base level of remuneration, which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Remuneration Committee and the process consists of a review of Company-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practices.

Senior executives are given the opportunity to receive their fixed (primary) remuneration in a variety of forms including cash and additional superannuation, which is provided by salary sacrifice. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the Group.

##### *Variable Remuneration – Long Term Incentive (LTI)*

The LTI plan aims to reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. LTI grants to executives are delivered in the form of options or performance rights. The grant of options or performance rights, including any performance criteria, is at the discretion of the Board.

**REMUNERATION REPORT (CONTINUED) (AUDITED)**

**REMUNERATION POLICY (CONTINUED)**

Generally options issued under the employee share option plan, including executive options, have a one to two year vesting period. If an executive ceases employment with the Group prior to the options vesting, then those options are forfeited. Vested options are forfeited if they are not exercised within one month upon an executive ceasing employment with the Group, or six months in special circumstances as deemed appropriate by Board of Directors.

Options or performance rights are granted for no consideration. They also carry no dividend or voting rights.

When exercisable, each option or performance right is convertible into one ordinary share in Hawkley Oil and Gas Limited.

Plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests.

To date, options over shares have been issued to directors and executives as part of their remuneration packages and have been subject to shareholder's approval. There are no performance hurdles attaching to the options granted other than service vesting conditions.

Packages are tailored to individual employees in order to provide maximum encouragement to perform for the benefit of shareholders and are designed to reflect labour demands. The aim of individual remuneration packages is to provide a balance between the immediate and long-term goals of the Group.

**Non-executive Director Remuneration**

The Board seeks to aggregate remuneration at a level which provides the Group the ability to attract and retain Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Non-executive Director remuneration is determined within the aggregate Directors fee pool, which was increased from \$200,000 to \$500,000 following approval by shareholders at an EGM held on 2 June 2011.

Each Director receives a fixed fee for being a Director of the Company. No additional fees are paid for Board committee membership. Should a Director be requested by the Chairman to undertake review work additional to normal Board and Board committee work, the Director receives additional fees based on commercial hourly rates. However, the additional fees will not result in the aggregate amount of Directors' fees approved by shareholders being exceeded.

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### REMUNERATION REPORT (CONTINUED) (AUDITED)

#### REMUNERATION POLICY (CONTINUED)

##### Remuneration, Company Performance and Shareholder Wealth

The development of remuneration policies and structures are considered in relation to the effect on Group performance and shareholder wealth. They are designed by the Board to align Director and executive behaviour with improving Group performance and, ultimately, shareholder wealth.

Looking forward, the Group aims to advance shareholder wealth through the successful production of oil and gas assets.

The following table shows the net profit/(loss) for the last five years for the listed entity, as well as the share prices at the end of the respective financial years.

	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$
Net Profit/(Loss)	(6,678,738)	(23,535,043)	(15,881,750)	(718,589)	12,806,374
Share Price at year-end	0.035	0.017	0.005	0.003	0.003 *

\* Based on last trading price prior to cessation of trading on 11 May 2017.

#### EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

The following table provides employment details of persons who were, during the financial year, members of key management personnel of the Group.



# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES (CONTINUED)

KEY MANAGEMENT PERSONNEL	POSITION HELD	CONTRACT DETAILS (DURATION & TERMINATION)	TERM AS KMP
Mr David Lloyd	Non-Executive Chairman	On going contract with no notice period	Appointed 16 March 2017
Mr Bill Foster	Non-Executive Director	On going contract with no notice period	Full financial year
Mr Edmund Babington	Non-Executive Director	On going contract with no notice period	Appointed 16 March 2017
Mr Murray Wylie *	Non-Executive Director		Resigned 16 March 2017
	Company Secretary	On going contract with no notice period	Full financial year
Mr Glenn Featherby	Executive Chairman	On going contract with no notice period	Resigned 16 March 2017
Mr Piers Lewis	Non-Executive Director	On going contract with no notice period	Resigned 16 March 2017

\* Mr Wylie resigned as Non-Executive Director on 16 march 2017 but continues in the position of Company Secretary.

The employment terms and conditions of key management personnel and group executives are formalised in contracts of employment.

Terms of employment do not include a notice period prior to termination of contract and no termination payments are generally payable.

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2017

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group:

**Table of Benefits and Payments for the Year Ended 30 June 2017**

		SHORT-TERM BENEFITS	POST-EMPLOY MENT BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS			
		SALARY AND FEES	SUPER- ANNUATION	OPTIONS / PERFORMANCE RIGHTS	TERMIN- ATION BENEFITS	TOTAL	PERFORMANCE RELATED
		\$	\$	\$	\$	\$	%
<b>Key Management Personnel</b>							
Mr David Lloyd	2017	12,306	-	9,940	-	22,246	-
Mr Bill Foster	2017	39,000	-	-	-	39,000	-
	2016	56,667	-	-	-	56,667	-
Mr Edmund Babington	2017	12,306	-	200	-	12,506	-
Mr Murray Wylie	2017	42,466	4,034	-	-	46,500	-
	2016	43,836	4,164	-	-	48,000	-
Mr Glenn Featherby	2017*	(56,959)	-	-	-	(56,959)	-
	2016	132,785	1,215	-	-	134,000	-
Mr Piers Lewis	2017	25,000	-	-	-	25,000	-
	2016	12,483	-	-	-	12,483	-
Mr Anthony Reilly	2016	36,657	3,482	-	-	40,139	-
	2017	74,119	4,034	10,140	-	88,293	-
	2016	282,428	8,861	-	-	291,289	-

\* Includes forgiveness of \$81,958 in director fees during the current period associated with historical and current year director fees. This forgiveness took place subsequent to Mr Featherby resigning on 16 March 2017.

The following key management personnel were appointed or resigned during the year or prior year;

- Mr David Lloyd (appointed 16 March 2017);
- Mr Edmund Babington (appointed 16 March 2017);
- Mr Glenn Featherby (resigned 16 March 2017);
- Mr Murray Wylie (appointed director 19 February 2016, resigned 16 March 2017) in addition to his role as Company Secretary;
- Mr Piers Lewis (appointed director 14 March 2016, resigned 16 March 2017);
- Mr Anthony Reilly (resigned 19 February 2016).

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### REMUNERATION REPORT (AUDITED) (CONTINUED)

#### Other transactions and balances with KMP and their related parties

During the year office rental payments of \$17,000 (2016: \$18,000) were made to an entity associated with Mr Featherby.

Salary, fees and leave for key management personnel includes \$38,612 directors' fees unpaid at 30 June 2017 (\$502,261 unpaid at 30 June 2016).

#### OPTIONS GRANTED

There were 25,355,645 options granted to key management personnel during the year ended 30 June 2017.

The number of options over ordinary shares held by each key management person of the Group during the financial year is as follows:

	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE ON RESIGNATI ON	BALANCE AT END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISAB -LE	VESTED AND UNEXERCIS -ABLE
<b>30 JUNE 2017</b>								
Mr David Lloyd	-	24,855,645	-	-	24,855,645	24,855,645	24,855,645	-
Mr Bill Foster	2,000,000	-	-	-	2,000,000	-	2,000,000	-
Mr Edmund Babington	-	500,000	-	-	500,000	500,000	500,000	-
Mr Glenn Featherby	-	-	-	-	-	-	-	-
Mr Murray Wylie	-	-	-	-	-	-	-	-
Mr Piers Lewis	-	-	-	-	-	-	-	-
	2,000,000	25,355,645	-	-	27,355,645	25,355,645	27,355,645	-

Options issued during the year had an exercise price of 0.5c per option, a fair value of \$0.0004 per option on the grant date of 22 June 2017 and an expiry date of 31 January 2020. All options vested immediately on issue. There were no ongoing performance conditions associated with these options as they represent a sign on bonus to the directors.

# HAWKLEY OIL AND GAS LIMITED

## DIRECTORS' REPORT

30 JUNE 2017

### REMUNERATION REPORT (AUDITED) (CONTINUED) OPTIONS GRANTED (CONTINUED)

The number of ordinary shares in Hawkley Oil and Gas Limited held by each key management person of the Group during the financial year is as follows:

	BALANCE AT BEGINNING OF YEAR	ACQUIRED DURING THE YEAR	ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	BALANCE ON RESIGNATION	BALANCE AT END OF YEAR
<b>30 June 2017</b>					
Mr David Lloyd	-	49,711,290	-	-	49,711,290
Mr Bill Foster	-	10,853,810	-	-	10,853,810
Mr Glenn Featherby	26,239,377	-	-	26,239,377	-
Mr Piers Lewis	-	-	-	-	-
Mr Murray Wylie	-	-	-	-	-
Mr Anthony Reilly	-	-	-	-	-
	26,239,377	60,565,100	-	26,239,377	60,565,100

### Voting and comment made on the Group's 2016 Annual General Meeting

The Group received approximately 81% (2015: 97%) of "yes" votes on its remuneration report for the year ended 30 June 2016.

Signed in accordance with a resolution of the Board of Directors:



Director: .....

**Mr. David Lloyd**

Dated 19 October 2017

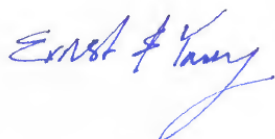
**End of Remuneration Report**

## Auditor's Independence Declaration to the Directors of Hawkley Oil and Gas Limited

As lead auditor for the audit of Hawkley Oil and Gas Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hawkley Oil and Gas Limited and the entities it controlled during the financial year.



Ernst & Young



D A Hall  
Partner  
19 October 2017

# HAWKLEY OIL AND GAS LIMITED

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 30 JUNE 2017

		2017 \$	2016 \$
<b>Continuing operations</b>			
Revenue		-	-
Other income	2(a)	82,347	77,529
Administrative expenses	2(b)	(318,369)	(426,653)
Gains/(loss) on foreign currency		5,953	(5,316)
		<hr/>	<hr/>
<b>Loss before tax from continuing operations</b>		(230,069)	(354,440)
Income tax benefit/(expense)	4(a)	-	-
		<hr/>	<hr/>
<b>Loss for the year from continuing operations</b>		(230,069)	(354,440)
		<hr/>	<hr/>
<b>Discontinued operation</b>			
Profit/(loss) after tax for the year from discontinued operation	3	13,036,443	(364,149)
		<hr/>	<hr/>
<b>Profit/(loss) for the year</b>		12,806,374	(718,589)
		<hr/>	<hr/>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that will be reclassified to profit or loss when specific conditions are met</b>			
Foreign exchange differences on translation of foreign operations		19,156	201,936
Foreign exchange differences reclassified to profit and loss on disposal of foreign operations	3	(12,068,988)	-
		<hr/>	<hr/>
<b>Total comprehensive profit/(loss) for the year</b>		756,542	(516,653)
		<hr/>	<hr/>
<b>Earnings per share:</b>			
From continuing and discontinued operations			
Basic profit/(loss) per share	13	0.037	(0.002)
Diluted profit/(loss) per share	13	0.037	(0.002)
From continuing operations			
Basic loss per share	13	(0.001)	(0.001)
Diluted loss per share	13	(0.001)	(0.001)

**HAWKLEY OIL AND GAS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2017**

		<b>2017</b>	<b>2016</b>
	<b>NOTE</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	124,881	238,809
Trade and other receivables	7	24,899	724
Other assets	8	579	3,893
<b>TOTAL CURRENT ASSETS</b>		<b>150,359</b>	<b>243,426</b>
<b>TOTAL ASSETS</b>		<b>150,359</b>	<b>243,426</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	82,149	1,256,514
<b>TOTAL CURRENT LIABILITIES</b>		<b>82,149</b>	<b>1,256,514</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	10	-	181,847
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>181,847</b>
<b>TOTAL LIABILITIES</b>		<b>82,149</b>	<b>1,438,361</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>68,210</b>	<b>(1,194,935)</b>
<b>EQUITY/(SHAREHOLDER'S DEFICIT)</b>			
Issued capital	11	38,974,788	38,478,325
Reserves	12	4,043,067	16,082,759
Accumulated losses		(42,949,645)	(55,756,019)
<b>TOTAL EQUITY/(SHAREHOLDERS' DEFICIT)</b>		<b>68,210</b>	<b>(1,194,935)</b>

# HAWKLEY OIL AND GAS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 30 JUNE 2017

	ORDINARY SHARES	ACCUMULATED LOSSES	CONVERTIBLE NOTE EQUITY RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2015	38,350,437	(55,037,430)	(687,907)	4,720,834	11,847,896	(806,170)
Loss attributable to members of the parent entity	-	(718,589)	-	-	-	(718,589)
Other comprehensive income for the year	-	-	-	-	201,936	201,936
<b>Total other comprehensive income for the year</b>	-	(718,589)	-	-	201,936	(516,653)
Shares issued	129,682	-	-	-	-	129,682
Share issue costs	(1,794)	-	-	-	-	(1,794)
<b>Balance at 30 June 2016</b>	<b>38,478,325</b>	<b>(55,756,019)</b>	<b>(687,907)</b>	<b>4,720,834</b>	<b>12,049,832</b>	<b>(1,194,935)</b>



# HAWKLEY OIL AND GAS LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2017

	ORDINARY SHARES	ACCUMULATED LOSSES	CONVERTIBLE NOTE EQUITY RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	38,478,325	(55,756,019)	(687,907)	4,720,834	12,049,832	(1,194,935)
Loss attributable to members of the parent entity	-	12,806,374	-	-	-	12,806,374
Other comprehensive income for the year	-	-	-	-	19,156	19,156
Exchange difference reclassified to profit or loss on disposal of foreign operations	-	-	-	-	(12,068,988)	(12,068,988)
<b>Total other comprehensive income for the year</b>	-	12,806,374	-	-	(12,049,832)	756,542
Shares issued	499,358	-	-	-	-	499,358
Share-based payments	-	-	-	10,140	-	10,140
Share issue costs	(2,895)	-	-	-	-	(2,895)
<b>Balance at 30 June 2017</b>	<b>38,974,788</b>	<b>(42,949,645)</b>	<b>(687,907)</b>	<b>4,730,974</b>	<b>-</b>	<b>68,210</b>

**HAWKLEY OIL AND GAS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**FOR THE YEAR ENDED 30 JUNE 2017**

	NOTE	2017 \$	2016 \$
<b>CASH FROM OPERATING ACTIVITIES:</b>			
Receipts from customers		-	38,236
Payments to suppliers and employees		(498,317)	(617,388)
Interest received		389	1,014
		<hr/>	<hr/>
Net cash used in operating activities	22	(497,928)	(578,138)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of assets		-	103,209
Proceeds from sale deposit		-	134,789
Proceeds from sale of foreign operations	3	791,154	-
		<hr/>	<hr/>
Net cash from investing activities		791,154	237,998
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from borrowings		-	505,965
Repayment of borrowings		(571,334)	(155,000)
Interest paid		(26,806)	(4,650)
Proceeds from share issue		198,845	129,682
Share issue costs		-	(1,794)
		<hr/>	<hr/>
Net cash (used in)/from financing activities		(399,295)	474,203
Net cash increase (decrease) in cash and cash equivalents		(106,069)	134,063
Foreign exchange differences		(7,859)	(5,069)
Cash and cash equivalents at beginning of year		238,809	109,815
		<hr/>	<hr/>
Cash and cash equivalents at end of financial year	6	124,881	238,809

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Hawkley Oil and Gas Limited and the entities it controlled during the year ended 30 June 2017, and was authorised for issue in accordance with a resolution of the Directors on 19 October 2017.

Hawkley Oil and Gas Limited is a company limited by shares, incorporated and domiciled in Australia and is a for-profit entity for the purpose of preparing the financial report.

The financial report is a general purpose financial statement that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. The financial report also complies with International Financial Reporting Standards ('IFRS') as issue by the International Accounting Standards Board.

Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

These financial statements are presented in Australian dollars, rounded to the nearest dollar. The overseas subsidiaries of the parent disposed of in the current year had United States dollars or Ukraine Hryvnia as their functional currency. All other companies within the entity have Australian dollars as their functional currency.

#### Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and realisation of assets and the settlement of liabilities in the normal course of business.

For the year ended 30 June 2017, the Group generated a loss from continuing operations of \$230,071. As at 30 June 2017, the Group has cash and cash equivalents of \$124,881 and net assets of \$68,210. Current liabilities of \$82,149 at 30 June 2017, includes \$38,612 in outstanding fees owed to current directors.

Following completion of the sale of its Ukraine assets in November 2016, and repayment of its external debt, Hawkley has been looking to pursue Oil & Gas acquisition and development opportunities in more politically stable countries. The Group needs to source working capital in order to pursue its objectives and to continue as a going concern.

Notwithstanding the above the directors consider they have a reasonable basis to prepare the financial statements on a going concern basis after having regard to the following:

- i) The directors have agreed not to seek repayment of monies owed or owing to them, forecasted to total \$196,112 over the next twelve months from the date of this report, should such repayments place the Group in a position where it would be unable to pay its debts as and when they fall due.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

- ii) The Group are currently in discussions with other parties in efforts to pursue acquisition and development opportunities and other corporate transactions and capital raising opportunities, with the objective of providing the Group with additional working capital and a resumption of share trading on the ASX.

Should the directors not be able to achieve the matters set out above, there is significant uncertainty as to whether the Group will be able to continue as a going concern.

The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

**(A) PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Hawkley Oil and Gas Limited at the end of the reporting period. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if and only if the Group has:

- Power over the investee;
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

**(B) REVENUE AND OTHER INCOME**

All revenue is stated net of the amount of goods and services tax (GST).

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**(C) INCOME TAX**

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantively enacted, as at the end of the reporting period. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

The company and its wholly-owned Australian subsidiaries have not implemented the tax consolidation legislation.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**(D) EMPLOYEE BENEFITS**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cashflows.

**(E) PROVISIONS**

Provisions are recognised when the Group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

*Restoration Provisions*

The Group recognises any legal or constructive restoration obligation as a liability at its present value at the time a legal liability or constructive obligation exists and when a reliable estimate of the amount of the obligation can be made. The carrying amount of long lived assets to which the obligation relates is increased by the asset retirement obligation cost and amortised over the producing life of the asset. Restoration provisions are based on the estimated cost of restoration work required at the end of the useful life of producing fields, including removal of facilities and equipment required or intended to be removed, together with abandonment of producing wells. These estimates of asset retirement obligations are based on current technology, legal requirements and future costs, which have been discounted to their present value. In determining the asset retirement obligations, the Group has assumed no significant changes will occur in the relevant legislation in relation to restoration of sites in the future.

Over time, the liability is accreted to its present value each period based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount rate is recorded within finance costs. Upon settlement of the liability, the Group either settles the obligation for its recorded amount or incurs a gain or loss upon settlement.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**(F) FOREIGN CURRENCY TRANSACTIONS AND BALANCES**

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. As at 30 June 2017, all companies within the entity have Australian dollars as their functional currency.

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised through the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised through the profit or loss.

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the consolidated statement of financial position. These differences are recognised through the profit or loss in the period in which the operation is disposed.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**(G) CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

**(H) FINANCIAL INSTRUMENTS**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Group commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transactions costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

**Classification and subsequent measurement**

Financial instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.



**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**(H) FINANCIAL INSTRUMENTS (CONTINUED)**

*Amortised cost* is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

**(i) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

**(ii) Financial liabilities**

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

**DERECOGNITION**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

**(I) TRADE AND OTHER PAYABLES**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

**(J) GOODS AND SERVICES TAX (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the consolidated statement of financial position are shown inclusive of GST.

**(K) LEASES**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(L) SHARE-BASED PAYMENT TRANSACTIONS**

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

When the goods or services acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

The cost of equity-settled transactions and the corresponding increase in equity is measured at the fair value of the goods or services acquired. Where the fair value of the goods or services received cannot be reliably estimated, the fair value is determined indirectly by the fair value of the equity instruments using the Black Scholes option valuation technique.

Equity-settled transactions that vest after employees complete a specified period of service are recognised as services are received during the vesting period with a corresponding increase in equity.

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### (M) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

##### KEY JUDGEMENTS - SHARE-BASED PAYMENT TRANSACTIONS

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes method. The related assumptions are detailed in Note 23. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

##### (N) NEW STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

From 1 July 2016 the Group has adopted all new and amended accounting standards mandatory for annual periods beginning on 1 July 2016. These have had no material impact on the Group.

A number of new Standards, amendment of Standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date. The potential effect of these Standards is yet to be fully determined. However, it is not expected that the new or amended Standards will significantly affect the Group's accounting policies, financial position or performance.

Pronouncement	Title	Summary	Application Date
<i>AASB 9, and relevant amending standards</i>	Financial Instruments	<p>AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p> <p>For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.</p> <p>All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.</p>	1 July 2018

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**  
**(CONTINUED)**

Pronouncement	Title	Summary	Application Date
		<p>The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.</p> <p>The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.</p>	
<i>AASB 15, and relevant amending standards</i>	Revenue from Contracts with Customers	<p>AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 Construction Contracts, AASB 118 Revenue, AASB Interpretation 13 Customer Loyalty Programmes, AASB Interpretation 15 Agreements for the Construction of Real Estate, AASB Interpretation 18 Transfers of Assets from Customers and AASB Interpretation 131 Revenue – Barter Transactions Involving Advertising Services) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 Leases, once applied).</p> <p>The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:</p> <ul style="list-style-type: none"> <li>► Step 1: Identify the contract(s) with a customer</li> <li>► Step 2: Identify the performance obligations in the contract</li> <li>► Step 3: Determine the transaction price</li> <li>► Step 4: Allocate the transaction price to the performance obligations in the contract</li> <li>► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.</li> </ul>	1 July 2018
<i>AASB 2016-5</i>	Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions	<p>This Standard amends AASB 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments provide requirements on the accounting for:</p> <ul style="list-style-type: none"> <li>► The effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments</li> <li>► Share-based payment transactions with a net settlement feature for withholding tax obligations</li> <li>► A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.</li> </ul>	1 July 2018
<i>AASB16</i>	Leases	<p>AASB 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset).</p> <p>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.</p> <p>Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	1 July 2019

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**2 PROFIT FOR THE YEAR**

**(A) OTHER INCOME**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Interest revenue	389	413
Gain on director's fees forgiven	81,958	-
Gains on the sale of assets	-	77,116
	<u>82,347</u>	<u>77,529</u>

**(B) ADMINISTRATIVE EXPENSES**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Depreciation, amortisation and impairment:</b>		
Depreciation expenses (included in other expenses)	-	118
	<u>-</u>	<u>118</u>
Corporate and other expenses	114,768	236,763
Share based payments	10,140	-
Travel and accommodation expenses	4,867	-
	<u>129,775</u>	<u>236,763</u>
<b>Employee benefits expense</b>		
Wages and salaries	42,466	43,836
Superannuation	4,034	4,112
	<u>46,500</u>	<u>47,948</u>
Lease payments	17,176	19,347
	<u>17,176</u>	<u>19,347</u>

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 3 DISCONTINUED OPERATION

On 11 November 2016, the Company announced that it had completed the sale of its Ukraine assets through the sale of its wholly owned subsidiary, Janita Global Limited, to Tomeas Assets Limited for total consideration of US\$1,000,000. The results for Janita Global Limited and its wholly owned subsidiary, Prime Gas LLC, are presented below:

	<b>PERIOD ENDED 11 NOVEMBER</b>	<b>YEAR ENDED 30 JUNE</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Plant and equipment</b>		
Revenue	-	-
Other income	337	103,809
Administrative expenses	(354,510)	(477,510)
Gains/(loss) on foreign currency	1,562	9,552
Gain on sale of Janita Global Holdings Limited and its associated net assets	13,389,054	-
Profit/(loss) before tax from a discontinued operation	13,036,443	(364,149)
Income tax	-	-
<b>Profit/(loss) from a discontinued operation</b>	<b>13,036,443</b>	<b>(364,149)</b>
<b>Earnings/(loss) per share</b>		
From discontinued operations:		
Basic profit/(loss) per share	0.036	(0.001)
Diluted profit/(loss) per share	0.036	(0.001)
The net cash flows of the discontinued operation are as follows:		
Operating	(130,430)	(70,816)
Net cash outflow	(130,430)	(70,816)

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**3 DISCONTINUED OPERATION (CONTINUED)**

The major classes of assets and liabilities of Janita Global Limited group at the time of disposal were as follows:

	11 November 2016
Cash and cash equivalents	131,467
Trade and other receivables	1,995
Total assets disposed of	<u>133,462</u>
Trade and other payables	(358,424)
Provisions	(172,483)
Total liabilities disposed of	<u>(530,907)</u>
<b>Net liabilities disposed of</b>	<b>(397,445)</b>
<b>Consideration received on sale of foreign operations <sup>(i)</sup></b>	<b>922,621</b>
<b>Foreign exchange translation differences reclassified to profit and loss on disposal of foreign operations</b>	<b><u>12,068,988</u></b>
<b>Gain on disposal</b>	<b><u>13,389,054</u></b>

- (i) The consideration received does not include a US\$100,000 non-refundable deposit received and recognised as income in the prior period when this arrangement was first negotiated and failed to settle at that time.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**4 INCOME TAX BENEFIT/(EXPENSE)**

**(A) THE COMPONENTS OF TAX BENEFIT/(EXPENSE) COMPRISE:**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Current tax benefit	126,156	12,484
Deferred tax expense arising from the movement in temporary differences	(126,156)	(12,484)
	<u>-</u>	<u>-</u>

**(B) THE PRIMA FACIE TAX ON PROFIT BEFORE INCOME TAX IS RECONCILED TO THE INCOME TAX AS FOLLOWS:**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Prima facie tax benefit on loss from continuing operations before income tax at 27.5% (2016: 30%)	(63,269)	(215,577)
- Non deductible expenses/non assessable income	3,035	35,031
- Current year losses not recognised as a deferred tax asset	60,234	180,546
- <b>Income tax benefit/(expense)</b>	<u>-</u>	<u>-</u>



**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**5 DEFERRED TAX ASSETS AND LIABILITIES**

	ASSETS		LIABILITIES		TOTAL	
	2017 \$	2016 \$	2017 \$	2016 \$	2017 \$	2016 \$
Prepayments	-	-	(159)	-	(159)	-
Provisions and accruals	15,412	141,409	-	-	(125,997)	(12,484)
Carried forward losses	3,080,004	3,156,670	-	-	(76,666)	180,546
Deferred tax assets not recognised	(3,095,257)	(3,298,079)	-	-	202,822	(50,685)
<b>Total</b>	159	-	(159)	-	-	-

Estimated unused tax losses at 30 June 2017 of \$11,200,018 (2016: \$10,522,232) have not been recognised as a deferred tax asset as the future recovery of these losses is subject to the entities satisfying requirements imposed by the relevant regulatory authorities in the respective jurisdictions in which the Group operates. The benefits of deferred tax assets not brought to account will only be brought to account if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised; and
- The conditions of deductibility imposed by the relevant tax legislation continue to be complied with and no changes in tax legislation adversely affect the Group in realising the benefit.

**6 CASH AND CASH EQUIVALENTS**

	2017 \$	2016 \$
Cash at bank	124,881	238,809
	<u>124,881</u>	<u>238,809</u>

**7 TRADE AND OTHER RECEIVABLES**

	2017 \$	2016 \$
CURRENT		
GST receivable	24,899	-
Other receivables	-	724
	<u>24,899</u>	<u>724</u>

Terms and conditions of the above financial assets

- Due to the short term nature of these receivables, their carrying value approximates their fair value;
- The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security;
- Disclosure on foreign exchange and interest rate risk can be found at Note 15.
- Other receivables generally have repayments between 30 and 90 days.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**8 OTHER ASSETS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Prepayments	579	3,893
	<u>579</u>	<u>3,893</u>

**9 TRADE AND OTHER PAYABLES**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
Other payables	80,432	1,171,178
Trade payables	1,717	75,412
Employee benefits	-	9,924
	<u>82,149</u>	<u>1,256,514</u>

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing and are normally settled on 60-day terms
- Other payables are non-interest bearing and have an average term of six months

**10 PROVISIONS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
NON-CURRENT		
Carrying amount at beginning of year	181,847	179,483
Accretion	3,558	21,552
Foreign exchange impact	(12,922)	(19,188)
Disposal of foreign operation	(172,483)	-
	<u>-</u>	<u>181,847</u>

Provisions relate to the cost of restoration and rehabilitation of Ukraine gas assets upon closure of plant. The Ukraine gas assets were disposed of on 11 November 2016.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**11 ISSUED CAPITAL**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
456,239,077 (2016: 331,408,627) Ordinary shares	43,050,015	42,550,658
Share issue costs	(4,075,227)	(4,072,333)
	<u>38,974,788</u>	<u>38,478,325</u>

**ORDINARY SHARES**

	<b>2017</b>	<b>2016</b>
	<b>NO.</b>	<b>NO.</b>
At the beginning of the reporting period	331,408,627	288,181,427
Register reconciliation adjustment	(6)	-
Shares issued during the year:		
Placement (16 March 2017)	49,711,290	43,227,200
Conversion of outstanding Directors' fees * (22 June 2017)	75,119,166	-
At reporting date	<u>456,239,077</u>	<u>331,408,627</u>

\* Outstanding directors' fees of \$300,513 were converted into equity at 0.4 cents per share, a premium of 33% to the closing price of 0.3 cents per share when shares were suspended from trading on ASX on 11 May 2017.

Ordinary shares have the right to receive dividends as declared, and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**OPTIONS**

- (i) For information relating to Hawkley Oil and Gas Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to Note 23.
- (ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 17.

**CAPITAL MANAGEMENT**

The group's policy is to effectively manage its capital structure so that it would continue to operate as a going concern. The group manages its contributed equity and reserves as part of its capital. The group is not subject to any externally imposed capital requirements.

# **HAWKLEY OIL AND GAS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 30 JUNE 2017**

#### **11 ISSUED CAPITAL (CONTINUED)**

As is similar with many other exploration companies, the operational requirements of the group are funded through equity and debt raised in various tranches. The overall capital management policy of the group remains unchanged and is consistent with prior years.

#### **12 RESERVES**

##### **(A) FOREIGN CURRENCY TRANSLATION RESERVE**

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

##### **(B) CONVERTIBLE NOTE EQUITY RESERVE**

The equity reserve arose on issue and subsequent buy-back of convertible note issued by Ukraine Gas Investments Limited.

##### **(C) SHARE BASED PAYMENT RESERVE**

The share based payment reserve records items recognised as expenses on valuation of employee share options and performance rights.

#### **13 LOSS PER SHARE**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Earnings used to calculate basic loss per share:		
Continuing operations	(230,069)	(354,440)
Discontinued operations	13,036,443	(364,149)
Earnings used in calculation of diluted loss per share:		
Continuing operations	(230,069)	(354,440)
Discontinued operations	13,036,443	(364,149)

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**13 LOSS PER SHARE (CONTINUED)**

Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

	<b>2017</b>	<b>2016</b>
	<b>NO.</b>	<b>NO.</b>
Weighted average number of ordinary shares outstanding during the year - number used in calculating basic and dilutive profit/(loss) per share	343,950,694	300,936,994

The Group has 36,355,645 unexercised options, which were not included in the diluted EPS computation as they were not considered dilutive on a continuing operations basis.

**14 CAPITAL AND LEASING COMMITMENTS**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Drilling commitments:		
Payable:		
- no later than 12 months*	-	10,176
	-	10,176
Operating lease commitments:		
Payable:		
- no later than 12 months**	1,000	1,700
	1,000	1,700

\*Drilling commitments related to Ukraine operations that were disposed of on 11 November 2016.

\*\*Operating lease commitments relate to lease of Perth office on a monthly basis.

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 15 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payables.

The totals for each category of financial instruments, measured in accordance with the accounting policies to these financial statements, are as follows:

	NOTE	2017 \$	2016 \$
<b>Financial Assets</b>			
Cash and cash equivalents	6	124,881	238,809
Trade and other receivables	7	24,899	724
<b>Total Financial Assets</b>		<u>149,780</u>	<u>239,533</u>
<b>Financial Liabilities</b>			
Trade and other payables	9	82,149	1,256,514
<b>Total Financial Liabilities</b>		<u>82,149</u>	<u>1,256,514</u>

The carrying amounts of these financial instruments approximate their fair values.

#### FINANCIAL RISK MANAGEMENT POLICIES

Exposure to key financial risks is managed in accordance with the Group's risk management policy with the objective to ensure that the financial risks are identified and then managed or kept as low as reasonably practicable.

The main financial risks that arise in the normal course of business are market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Different methods are used to measure and manage these risk exposures. Liquidity risk is monitored through the ongoing review of available cash and future commitments for exploration expenditure. Exposure to liquidity risk is limited by anticipating liquidity shortages and ensuring capital can be raised in advance of shortages. Interest rate risk is managed by limiting the amount of interest bearing loans entered into by the Group. It is the Board's policy that no speculative trading in financial instruments be undertaken so as to limit exposure to price risk.

Primary responsibility for identification and control of financial risks rests with the Chairman and Company Secretary, under the authority of the Board. The Board is appraised of these risks from time to time and agrees any policies that may be undertaken to manage any of the risks identified.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each financial instrument are disclosed in Note 1 to the financial statements. The carrying values less the impairment allowance for receivables approximate fair value due to their short term nature. Cash and cash equivalents are subject to variable interest rates.

**HAWKLEY OIL AND GAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2017**

**15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT**

**(A) CREDIT RISK**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the Group.

The Group trades only with recognised, creditworthy third parties.

The Group's customers pay in advance so consequently no significant exposure to bad debts or other credit risks.

With respect to credit risk arising from financial assets, which comprise cash and cash equivalents and receivables, the exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. At balance date cash and deposits were held with National Australia Bank with an S&P credit rating of AA-. The significant concentration of credit risk is in relation to cash and cash equivalents.

**(B) LIQUIDITY RISK**

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**15 FINANCIAL RISK MANAGEMENT (CONTINUED)**

It is the Group's policy to maintain sufficient funds in cash and cash equivalents to meet the ongoing operational requirements of the business. Furthermore, the Group monitors its ongoing cash requirements and raises equity or debt funding as and when appropriate to meet its requirements. The Group has no undrawn financing facilities. Trade and other payables, the only financial liability of the Group, are due within 3 months. As disclosed in Note 1 *Going Concern*, the Group has net current assets of \$68,210. This comprises current assets of \$150,359 and current liabilities of \$82,149. Current liabilities includes creditors with an outstanding balance at 30 June 2017 of \$38,612 who have advised the Group that they will not seek repayment of monies owing to them until the Group has the financial capacity to do so.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations.

*Financial liability maturity analysis*

	WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL CONTRACTUAL CASH FLOW	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Trade and other payables	82,149	1,256,514	-	-	82,149	1,256,514
Total contractual outflows	82,149	1,256,514	-	-	82,149	1,256,514

**(C) MARKET RISK**

*i. Interest rate risk*

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. The Group does not enter into hedges. An increase/(decrease) in interest rates by 1% during the whole of the respective periods would have led to an increase/(decrease) in both equity and losses by \$1,249/(\$1,249) (2016: \$2,388/(\$2,388)). 1% was thought to be appropriate considering that there was only a 25 basis point change in Australian interest rates in the 12 months to 30 June 2017.



# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 15 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### *ii. Foreign exchange risk*

Following the disposal of the Company's operations in the Ukraine, the Company no longer has significant payments and receipts denominated in foreign currencies. Accordingly the Group's statement of financial position is no longer considered to be subject to significant foreign exchange risk. There is no formal policy in place to protect or hedge the Group from adverse movements in foreign currency rates.

##### **Foreign currency risk sensitivity analysis**

The following sensitivity analysis is based on foreign currency risk exposures in existence at the reporting date. The 15% sensitivity (2016: 15%) is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar, and Ukraine Hryvnia to the US dollar, for the preceding year.

	2017 \$	2016 \$
Post tax loss - higher / (lower)		
- FX +15% (2016: +15%)	(614)	(33,281)
- FX -15% (2016: -15%)	614	33,281
Equity - higher / (lower)		
- FX +15% (2016: +15%)	-	-
- FX -15% (2016: -15%)	-	-

#### 16 OPERATING SEGMENTS

##### **IDENTIFICATION OF REPORTABLE SEGMENTS**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The accounting policies for internal reporting purposes are consistent with those applied in the preparation of the financial report.

For management purposes, the Group is organised into sole reporting segment which is the oil and gas segment located wholly within Australia. All of the Group's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group operates from one geographic location, being Australia, from where its investing activities are managed.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**17 INTERESTS OF KEY MANAGEMENT PERSONNEL**

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2017.

The totals of remuneration paid to key management personnel of the company and the Group during the year are as follows:

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	74,119	282,428
Post-employment benefits	4,034	8,861
Termination benefits	-	-
Share-based payments	10,140	-
	<hr/>	<hr/>
	88,293	291,289
	<hr/>	<hr/>

**OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS**

From 1 September 2013, the Company began renting an office at normal market prices from an entity associated with GR Featherby. During the year rental payments of \$17,000 (2016: \$18,000) were made to the entity.

**18 AUDITORS' REMUNERATION**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
Remuneration of the auditor of the parent entity for:		
- Audit services	24,926	21,180
	<hr/>	<hr/>
	24,926	21,180
	<hr/>	<hr/>

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 19 CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)*	PERCENTAGE OWNED (%)*
		2017	2016
Parent Entity:			
Hawkley Oil and Gas Limited	Australia		
Subsidiaries of parent entity:			
Janita Global Ltd	B.V.I.	-	100
Ukraine Investments Ltd	Australia	100	100
Ukraine Gas Investments Ltd	Australia	100	100
Prime Gas LLC	Ukraine	-	100

\* Percentage of voting power is in proportional to ownership

#### 20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2017.

#### 21 RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

There is an amount of AUD\$70,048 (2016: AUD\$68,916) charged by Hawkley Oil and Gas Limited to Ukraine Investments Limited and Ukraine Gas Investments Limited which represents management fees charged to recover costs incurred by Hawkley in administering both subsidiaries and their interests in Janita Global Limited prior to disposal.

From 1 September 2013, the Company began renting an office at normal market prices from an entity associated with GR Featherby. During the year rental payments of \$17,000 (2016: \$18,000) were made to the entity.

Following receipt of shareholder approval on 22 June 2016 to convert \$191,237 of his outstanding director's fees into shares, Mr. Featherby agreed to forgive the remaining balance of \$81,959 (30%).

During the financial year ending 30 June 2015, AUD\$100,000 was loaned to the Company by a related party of a major shareholder of Hawkley. The loan incurred interest at 4.5% repayable at settlement. The loan and interest were repaid in November 2016.

**HAWKLEY OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2017**

**21 RELATED PARTY TRANSACTIONS (CONTINUED)**

**(A) RELATED PARTY BALANCES**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
CURRENT		
- Trade and other payables:		
Amount payable to related entities	-	105,425
Amount payable to related individuals	38,612	67,800
<b>Total</b>	<b>38,612</b>	<b>173,225</b>

**22 CASH FLOW INFORMATION**

**RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX**

	<b>2017</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Net profit/(loss) for the period</b>	12,806,374	(718,589)
<b>Non-cash flows in profit</b>		
Share based payments	10,140	-
Foreign exchange (gains)/losses	(5,953)	(11,001)
Foreign exchange differences transferred to profit and loss on disposal of foreign operations	(12,068,988)	-
Depreciation and amortisation	-	118
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(24,175)	38,236
Decrease in prepayments	3,314	26,717
Increase/(decrease) in trade payables and accruals	(1,036,793)	84,018
Increase/(decrease) in provisions	(181,847)	2,363
	<b>(497,928)</b>	<b>(578,138)</b>

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 23 SHARE-BASED PAYMENTS

On 22 June 2017, the Group granted 25,355,645 options to entities associated with two directors. Using the Hoadley Trading & Investment Tools ("Hoadley") ESO4 which is a "vanilla" option pricing model, the fair value of the options issued were calculated using the following inputs:

Number of options:	25,355,645	Risk free interest rate:	1.73%
Exercise price:	\$0.005	Share price:	\$0.001
Expected exercise date:	31 January 2020	Expected volatility:	100%
Each option was valued at:	\$0.0004		

For detail on the total expense arising from share based payments see note 2(b). The options vested immediately and were fully recognised as expense within the current year.

A summary of the movements of all company options issued is as follows:

	NUMBER	WEIGHTED AVERAGE EXERCISED PRICE
<b>Options outstanding as at 30 June 2015</b>	11,000,000	\$0.10
<b>Options outstanding as at 30 June 2016</b>	11,000,000	\$0.10
Grant of options	25,355,645	\$0.005
<b>Options outstanding as at 30 June 2017</b>	36,355,645	\$0.034

The weighted average remaining contractual life of options outstanding at year end was 2.18 years.

At 30 June 2017 there are 11,000,000 outstanding options exercisable at 10 cents and 25,355,645 outstanding options exercisable at 0.5 cents.

#### 24 EVENTS AFTER THE END OF THE REPORTING PERIOD

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

# HAWKLEY OIL AND GAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2017

#### 25 PARENT ENTITY

The following information has been extracted from the books and records of the legal parent, Hawkley Oil and Gas Limited and has been prepared on the same basis as the consolidated financial statements except as follows:

Investments in subsidiaries are accounted for at cost in the financial statements of the parent entity.

	2017 \$	2016 \$
<b>Statement of Financial Position</b>		
Assets		
Current assets	150,359	243,426
Non-current assets	-	-
Total Assets	150,359	243,426
Liabilities		
Current liabilities	349,115	1,015,685
Total Liabilities	349,115	1,015,685
Equity		
Issued capital *	60,993,430	60,496,968
Accumulated losses	(66,167,088)	(65,847,765)
Reserves	4,974,903	4,578,538
Total (Shareholder's Deficit)/Equity	(198,756)	(772,259)
<b>Statement of Comprehensive Income</b>		
Loss for the year	(319,274)	(900,148)
<b>Total comprehensive income</b>	(319,274)	(900,148)

\* The issued capital of Hawkley Oil and Gas Limited, the legal parent, does not agree to the consolidated Group as an acquisition in prior periods deemed that Janita Global Limited was the parent for accounting purposes when acquired.

#### CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2017 or 30 June 2016.

#### 26 COMPANY DETAILS

The registered office and principal place of business of the company is:

Hawkley Oil and Gas Limited  
Suite 3 / Level 3 1292 Hay Street  
West Perth WA 6005

# Hawkley Oil and Gas Limited

## Directors' Declaration

In accordance with a resolution of the directors of Hawkley Oil and Gas Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board



**Mr. David Lloyd**

Director

19 October 2017

# Independent Auditor's Report to the Members of Hawkley Oil and Gas Limited

## Report on the Audit of the Financial Report

### Opinion

We have audited the financial report of Hawkley Oil and Gas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a loss from continuing operations of \$230,069 during the year ended 30 June 2017 and, as of that date. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## Discontinued operations and accounting for sales/divestitures

### Why significant

As disclosed in Note 3, on 11 November 2016, the Company completed the sale of its 100%-owned Ukraine assets to Tomeas Assets Limited for cash settlement of US\$1,000,000. The sale resulted in a pre-tax gain on sale of \$13,389,054, including the effects of foreign exchange differences reclassified from the foreign currency translation reserve to profit and loss on disposal amounting to (\$12,068,988), disclosed within discontinued operations in the financial report. These amounts are highly material to the Company's results for the current period. Further, the assets sold are presented as a disposal group and their results forms all of discontinued operations in the financial report.

This area is relevant to our audit as it impacts the presentation of the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows including to prior year disclosures for comparison purposes.

### How our audit addressed the key audit matter

In performing our procedures, we obtained and reviewed the sales documents and related contracts and assessed whether the calculation of the gain on sale was consistent with these underlying documents and in compliance with Australian Accounting Standards.

We agreed the cash consideration to bank statements and assessed the underlying carrying value of the disposal group, to the date of sale.

We checked the mathematical accuracy of the gain on sale calculation and considered the related tax impacts of the sale across the applicable tax jurisdictions.

We assessed the presentation of the discontinued operations within the financial report.

## Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

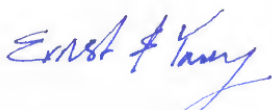
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Hawkley Oil and Gas Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



D A Hall  
Partner  
Perth  
19 October 2017

## ASX ADDITIONAL INFORMATION

The additional ASX information is current as at 29 September 2017.

### Ordinary Shares

#### Substantial shareholders

Shareholder name	Number Held	Percentage
Hay Street Property Pty Ltd	74,048,679	16.23%
EMCO Resourced Pty Ltd	49,711,290	10.90%
HSBC Custody Nominees Australia Ltd	30,047,947	6.59%
Nelpidas Ventures Ltd	25,520,819	5.59%

#### Top 20 Shareholders

Ranking	Holder Name	Shares Held	Percentage
1	Hay Street Property Pty Ltd	74,048,679	16.23%
2	EMCO Resourced Pty Ltd	49,711,290	10.90%
3	HSBC Custody Nominees Australia Ltd	30,047,947	6.59%
4	Nelpidas Ventures Ltd	25,520,819	5.59%
5	Morgan Paul James	22,470,819	4.93%
6	J Moody Nom Pty Ltd	15,000,000	3.29%
7	Foster Pty Ltd	10,853,810	2.38%
8	Monarch Asset Mgmt Pty Ltd	8,200,000	1.80%
9	Gotha Street Cap Pty Ltd	7,500,000	1.64%
10	Gaintime Inv Pty Ltd	7,171,262	1.57%
11	BNP Baribas Nom Pty Ltd	6,044,760	1.32%
12	J P Morgan Nom Aust Ltd	5,884,540	1.29%
13	Hayes Charmaine Teresa	5,402,436	1.18%
14	Mainplay Pty Ltd	4,945,979	1.08%
15	Woolley Jack Lewis	3,784,718	0.83%
16	Featherby Brian + Mary	3,545,427	0.78%
17	Van Der Walt D S +P B	3,042,207	0.67%
18	Rishworth G J + Irawati A	3,000,000	0.66%
19	Ascot Cap Ltd	2,925,000	0.64%
20	Yang Zhengwei	2,500,000	0.55%
	<b>Total</b>	<b>291,599,693</b>	<b>63.92%</b>

<b>Range of Holding – ordinary shares</b>	<b>Holders</b>	<b>Shares</b>
1 - 1,000	259	63,443
1,001 - 5,000	304	990,917
5,001 - 10,000	203	1,720,437
10,001 - 100,000	650	25,765,855
100,001 - 9,999,999,999	309	427,738,425
<b>Total on register</b>	<b>1,725</b>	<b>456,239,077</b>

#### **Unmarketable Parcels**

There are 1,495 holders holding less than a marketable parcel of \$500 of ordinary shares at a price of 0.3 cents per share.

#### **Restricted Securities**

There are no ordinary shares subject to escrow.

#### **Unquoted Securities**

There are 2 holders of 11,000,000 unlisted options expiring 30 September 2018 exercisable at \$0.10

<b>Holders of more than 20%</b>	<b>Options expiring</b>	
<b>Holder name</b>	<b>Number</b>	<b>%</b>
Viktor Dmitriyev	9,000,000	82%

There are 2 holders of 25,355,645 unlisted options expiring 31 January 2020 exercisable at \$0.005

<b>Holders of more than 20%</b>	<b>Options expiring</b>	
<b>Holder name</b>	<b>Number</b>	<b>%</b>
EMCO Resources Pty Ltd	24,855,645	98%

#### **Voting Rights**

Each fully paid ordinary share carries voting rights of one vote per share.

#### **On-market Share Buy-back**

The Company does not have a current on-market share buy-back.

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**hawkley** OIL & GAS