# Hawkley Oil and Gas Limited

## Interim Financial Report

**A.B.N. 68 115 712 162**

**For the Half-Year Ended 31 December 2019**

**Hawkley Oil and Gas Limited**

# Contents

**For the Half-Year Ended 31 December 2019**

# Directors' Report
## 31 December 2019

Your directors submit their report, together with the interim financial statements of Hawkley Oil and Gas Limited (the Company) for the half year ended 31 December 2019.

**Directors**

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

| Names | Position |
|---|---|
| Mr. Thomas Fontaine | Managing Director |
| Mr. Kane Marshall | Non-Executive Director (appointed 30 January 2020) |
| Mr. Murray Wylie | Non-Executive Director |

**Company Secretary**

Mr. Murray Wylie

**Operating results**

The loss of the Company for the half year ended 31 December 2019 amounted to $186,817 (31 December 2018: $127,666).

**Review of operations**

Following the disposal of its Ukraine oil and gas assets, the Company's securities were suspended from trading on ASX on 11 May 2017. The ASX advised that the Company's securities will remain suspended until such time as the Company completes a transaction and undertakes recompliance with Chapters 1 and 2 of the Listing Rules.

On 24 October 2019, Hawkley announced the proposed acquisition of an approximately 33% working interest and operatorship of an operating oil and gas project in North Dakota, USA, for total consideration of US$2,512,820 (50% cash/50% ordinary shares). The Project, based in Burke County, North Dakota, comprises 10 wells across 6,600 gross acres within the Williston Basin. 7 of these 10 wells are currently in production and 29 horizontal drilling locations have been identified across the leases. During the year ending 30 June 2019, total production for the project averaged 133 barrels of oil per day (BOPD), plus a further 368MCF (61 equivalent BOPD) of natural gas and 42 equivalent BOPD natural gas liquids.

Hawkley is reviewing a number of options to increase production and reduce operating expenses following completion of the acquisition. This includes drilling new wells and undertaking workover and recompletion of existing wells using a strategy that has already been successfully applied. The process involves casing a preferentially selected one mile lateral in an existing wellbore open-hole design, then a 20 stage slickwater frac. The Company is also considering options to upgrade the saltwater disposal system to reduce operating costs, and possibly provide income from disposal of third-party waste water.

In conjunction with the proposed acquisition, the Company is seeking to undertake a recapitalisation and recompliance with Chapters 1 and 2 of the ASX Listing Rules. Following changes to the Listing Rules in 2019, the Company was due to be automatically removed from the Official List on 3 February 2020 due to long-term suspension. However, ASX has confirmed that it will extend the Company's removal date until 30 May 2020, provided that the Company receives shareholder approval for the acquisition resolutions and lodges its re-compliance prospectus with ASIC by no later than 30 March 2020.

To fund the recompliance process, Hawkley has raised $375,000 to date via convertible notes under the interim funding arrangements announced on 24 October 2019, with $30,000 settling off creditors through issue of convertible notes and $250,000 received subsequent to the end of the reporting period. CPS Capital Group Pty Ltd ("CPS") was appointed on 6 December 2019 as Lead Manager and Corporate Advisor, with CPS Managing Director Jason Peterson managing the transaction. Woodchester Capital Pty Ltd and its Director, Jason Ferris, is also providing advisory services in connection with the interim funding and capital raising.

A general meeting to seek the necessary shareholder approvals for the transaction is to be held on 30 March 2020. The recompliance prospectus to raise between $5,000,000 and $7,000,000 for the recapitalisation is expected to be completed and lodged with ASIC prior to the shareholder meeting.

# Directors' Report
**31 December 2019**

## EVENTS SUBSEQUENT TO BALANCE DATE

On 30 January 2020, Mr Kane Marshall was appointed as a non-executive director of Hawkley. On 28 February 2020 a Notice of Meeting was issued to convene a meeting of shareholders to consider the proposed acquisition of the Burke County oil and gas project. On 12 March 2020 the convertible loan agreement with Emco Capital Pty Ltd was amended to remove the share conversion rights and extend the term of the loan from 30 April 2020 to 30 June 2020.

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak and a rapid escalation in oil production by Saudi Arabia. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but may impact our earnings, cash flow and financial condition.

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

**Auditor's independence declaration**

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2019 has been received and can be found on page 4 of the financial report.

This report is signed in accordance with a resolution of the Board of Directors.

Director: ...............................................................................
Mr. Thomas Fontaine

Dated 23 March 2020

# Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:

    (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and

    (b) give a true and fair view of the Company 's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.

2. Subject to the matters outlined in Note 1, in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director: ...............................................................................
Mr. Thomas Fontaine

Dated 23 March 2020

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

# Auditor's independence declaration to the directors of Hawkley Oil and Gas Limited

As lead auditor for the review of the half-year financial report of Hawkley Oil and Gas Limited for the half-year ended 31 December 2019, 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 review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

M P Cunningham
Partner
Perth
23 March 2020

# Statement of Comprehensive Income

## For the Half Year Ended 31 December 2019

| | 31 December 2019 $ | 31 December 2018 $ |
|---|---|---|
| Other income | **7** | 254 |
| Administrative expenses | **(178,516)** | (124,933) |
| Interest expense | **(19,107)** | (17,381) |
| Gain on modification of financial liability | **10,790** | 14,385 |
| Gain on foreign currency | **9** | 9 |
| **Loss before income tax** | **(186,817)** | (127,666) |
| Income tax expense | **-** | - |
| **Loss after tax for the half year** | **(186,817)** | (127,666) |
| **Total comprehensive loss for the half year** | **(186,817)** | (127,666) |

**Loss per share**

| | | |
|---|---|---|
| Basic loss per share (cents) | **(0.04)** | (0.03) |
| Diluted loss per share (cents) | **(0.04)** | (0.03) |

The accompanying notes form part of these financial statements.

# Statement of Financial Position

## As at 31 December 2019

| | Note | 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|---|
| **ASSETS** | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | **35,607** | 12,947 |
| Trade and other receivables | | **7,425** | 346 |
| Other assets | | **13,743** | 5,386 |
| TOTAL CURRENT ASSETS | | **56,775** | 18,679 |
| TOTAL ASSETS | | **56,775** | 18,679 |
| **LIABILITIES** | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | **314,774** | 193,178 |
| Financial liabilities | 4 | **293,248** | 189,931 |
| TOTAL CURRENT LIABILITIES | | **608,022** | 383,109 |
| TOTAL LIABILITIES | | **608,022** | 383,109 |
| NET LIABILITIES | | **(551,247)** | (364,430) |
| **EQUITY** | | | |
| Issued capital | 5 | **38,974,788** | 38,974,788 |
| Reserves | | **4,074,362** | 4,074,362 |
| Accumulated losses | | **(43,600,397)** | (43,413,580) |
| TOTAL SHAREHOLDERS' DEFICIT | | **(551,247)** | (364,430) |

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity
## For the Half-Year Ended 31 December 2019

**31 December 2019**

| | Ordinary Shares | Accumulated losses | Convertible Note Equity Reserve | Share Based Payment Reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2019** | 38,974,788 | (43,413,580) | (656,612) | 4,730,974 | (364,430) |
| Loss for the period | - | (186,817) | - | - | (186,817) |
| Other comprehensive income | - | - | - | - | - |
| **Balance at 31 December 2019** | 38,974,788 | (43,600,397) | (656,612) | 4,730,974 | (551,247) |

**31 December 2018**

| | Ordinary Shares | Accumulated losses | Convertible Note Equity Reserve | Share Based Payment Reserve | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Balance at 1 July 2018** | 38,974,788 | (43,171,139) | (672,919) | 4,730,974 | (138,296) |
| Loss for the period | - | (127,666) | - | - | (127,666) |
| Other comprehensive income | - | - | - | - | - |
| **Balance at 31 December 2018** | 38,974,788 | (43,298,805) | (672,919) | 4,730,974 | (265,962) |

# Statement of Cash Flows
## For the Half-Year Ended 31 December 2019

| | 31 December 2019 $ | 31 December 2018 $ |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Payments to suppliers and employees | **(72,351)** | (104,365) |
| Interest received | **7** | 254 |
| Net cash used in operating activities | **(72,344)** | (104,111) |
| | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Net cash provided by investing activities | **-** | - |
| | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES:** | | |
| Proceeds from borrowings | **95,000** | - |
| Net cash provided by financing activities | **95,000** | - |
| | | |
| Net decrease in cash and cash equivalents held | **22,656** | (104,111) |
| Cash and cash equivalents at beginning of year | **12,947** | 181,941 |
| Effects of exchange rate changes on cash and cash equivalents | **4** | 14 |
| Cash and cash equivalents at end of the half year | **35,607** | 77,844 |

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

## For the Half-Year Ended 31 December 2019

### 1 Basis of preparation

This interim financial report for the half year ending 31 December 2019 is a general purpose condensed financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Hawkley Oil and Gas Limited. As such it does not contain information that represents relatively insignificant changes occurring during the half year for the Company. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2019, together with any public announcements made during the half year.

Except as noted below, the same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

All other new standards and interpretations effective from 1 July 2019 were adopted with the main impact being disclosure changes as disclosed in note 2.

*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 half year ended 31 December 2019, the Company generated a loss of $186,817. As at 31 December 2019, the Company has cash and cash equivalents of $35,607 and net liabilities of $551,247. Current liabilities of $608,022 at 31 December 2019, includes $188,562 in outstanding fees owed to current and former directors and $198,248 for a loan from Emco Capital (Emco), an entity associated with a former director. It also included $95,000 related to convertible notes issued for seed capital to support the Company’s acquisition and ASX recompliance process.

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) Loans to a related party of a former director of $200,000 plus interest were due and payable on 30 April 2020 if not converted to shares prior to that date. Subsequent to balance date, on 12 March 2020, the loan was amended to remove loan conversion rights and extend the loan repayment date to 30 June 2020.

ii) The directors and former directors have agreed not to seek repayment of monies owed or owing to them, totaling $188,562 as at 31 December 2019, should such repayments place the company in a position where it would be unable to pay its debts as and when they fall due. An amount of $71,573 is repayable on 30 June 2020 with remaining amounts not payable until 31 October 2020.

iii) The Company announced on 24 September 2019 that it had entered into a sale and purchase agreement to acquire an approximately 33% interest and operatorship of a producing oil and gas project in North Dakota, USA.

iv) Subsequent to the period end and as at the date of signing, the Company had received $250,000 through the interim funding in the form of convertible notes with further amounts to be raised as required in advance of the capital raising. In addition, the company had settled creditors of $30,000 through issue of convertible notes.

v) The Company has called a meeting of shareholders on 30 March 2020 to approve the acquisition and is finalising a prospectus seeking to raise a minimum $5,000,000 to support recompliance with Chapters 1 and 2 of the ASX Listing Rules and a resumption of trading of its securities on the ASX. In accordance with the notice of general meeting release on 28 February 2020, the Company intends to complete the capital raising before 31 May 2020 in order to successfully complete the transaction.

vi) The directors and the company's brokers are confident that they will be able to raise capital in the current market noting the uncertainty in markets at this time. In addition, that they remain confident that additional funds sufficient to complete the capital raising could be obtained, either through further convertible notes or short-term unsecured loans to be repaid from the capital raising.

vii) Subsequent to the period end the Company has also received letter of support from Sobu Energy Pty Ltd, an entity associated with a director, to confirm that funds of up to $25,000 will be provided to the Company on request.

The Company is exploring a number of options available to raise additional funds if required, including equity placements to sophisticated investors, share purchase plans, rights issues, debt to equity conversion and convertible loan facilities and will pursue these further as and when appropriate. Should the Directors not be able to achieve the matters set out above, there is significant uncertainty as to whether the Company will be able to continue as a going concern.

The financial statements do not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

### 2 New and amended accounting standards and interpretations

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective 1 July 2019, including:

| | | | | |
|---|---|---|---|---|
| AASB Interpretation 23 | Uncertainty over Income Tax Treatment | The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following:<br>► Whether an entity considers uncertain tax treatments separately<br>► The assumptions an entity makes about the examination of tax treatments by taxation authorities<br>► How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates<br>► How an entity considers changes in facts and circumstances.<br><br>The Company has assessed the new standard and concluded that there will be no significant impact. | | 1 July 2019 |
| ***AASB16*** | Leases | 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).<br><br>Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.<br><br>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.<br><br>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.<br><br>The Company has assessed the new standard and concluded that there is no significant impact. | | 1 July 2019 |

### 3 Operating segments

The Company 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 Company is managed primarily on the basis of product category, operating segments are therefore determined on the same basis. The Company 's sole reporting segment is the oil and gas business located wholly within Australia.

The accounting policies applied for internal purposes are consistent with those applied in the preparation of these interim financial statements.

### 4 Financial liabilities

| | 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|
| CURRENT | | |
| Interim funding convertible notes | **95,000** | - |
| Debt component of Emco convertible note at amortised costs | **198,248** | 189,931 |
| | **293,248** | 189,931 |

*Interim funding convertible notes*
The Company announced on 24 October 2019 that it was seeking to raise interim funding through the issue of convertible notes to sophisticated and professional investors. The convertible notes were subsequently issued with the following principal terms:

- face value of $1 each;
- interest rate of 0% p.a.;
- unsecured;
- a conversion price is $0.02 per share;
- conversion is subject to shareholder approval including approval for re-compliance under Chapters 1 and 2 of the ASX listing rules. If re-compliance approval is not obtained the conversion price is $0.002 per share;
- the conversion right comes with one free attaching option for every 2 conversion shares. The option has an exercise price of $0.05 and expiration date of 30 June 2023;
- the notes will convert on or before 30 June 2020;
- except as noted below, the convertible notes can be redeemed by conversion only except if shareholder approvals are not obtained, in which case the term extends to 31 December 2020 by which the notes must be redeemed by the Company by paying cash; and
- the notes have a contingent settlement feature which is triggered in the event of default which includes the appointment of a Receiver or Administrator.

Convertible notes are separated into derivative and host debt component based on the terms of the contract.

As the Convertible Notes have an embedded right to receive one free attaching option for every 2 shares issued at conversion, the conversion right represents a derivative liability. The fair value of the embedded derivative falls into level 3 of the fair value hierarchy and is based on observable and unobservable inputs. The fair value on initial recognition and as at 31 December 2019 was determined to be immaterial.

*Emco convertible note*
The terms of the original convertible loan agreement with Emco Capital Pty Ltd ("Emco") issued on 28 June 2018 were varied by agreements dated 31 October 2018 (modification) and 28 June 2019 (extinguishment/new agreement). The agreement dated 28 June 2019 was further modified on 5 December 2019 to extend the term of the loan until 30 April 2020. The material terms and conditions are:

- The convertible loan is an unsecured loan facility.
- Emco may elect to convert the initial drawdown amount of A$200,000, received on 28 June 2018, into fully paid ordinary shares in Hawkley at a conversion price of 0.2 cents per share (subject to adjustment in the event of a reorganisation of capital).

- The loan incurs interest of 3% to be repaid in cash at settlement.
- The loan is to be converted and/or repaid on or before 30 April 2020.

The Company considers that the convertible note is a compound instrument and in this regard a portion of the convertible note was recognised in equity upon initial recognition.

The fair value of the debt component of the convertible note on initial recognition 28 June 2019 was determined to be $189,693 using a discounted cash flow methodology over the term of the agreement.

Reconciliation of debt component of convertible notes at amortised cost:

| | **31 Dec 2019** | **30 June 2019** |
|---|---|---|
| Opening balance at amortised cost | 189,931 | 185,231 |
| Fair value adjustment upon modification on 5 December 2019/31 October 2018 | (10,790) | (14,385) |
| Fair value adjustment upon extinguishment | - | 158 |
| Accrued interest up until extinguishment on 28 June 2019 | - | 34,996 |
| Extinguishment on 28 June 2019 | - | (206,000) |
| Fair value on initial recognition on 28 June 2019 | - | 189,693 |
| Accrued interest | 19,107 | 238 |
| Closing balance at amortised cost | 198,248 | 189,931 |

The carrying amount of the Company's convertible notes approximates their fair value as at 31 December 2019. Fair value has been determined by using a discounted cash flow model and applying a market interest rate of 21.12%. The fair value methodology is categorised as level 3 in the fair value hierarchy.

Subsequent to the period end, on 12 March 2020, the convertible loan agreement with Emco Capital Pty Ltd was amended to remove the share conversion rights and extend the term of the loan from 30 April 2020 to 30 June 2020.

### 4 Financial liabilities (continued)

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:
- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable, either directly (i.e. as prices), or indirectly (i.e. derived from prices);
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

The fair value measurement falls into level 3 and a discounted cash flow methodology was utilised; the inputs are observable and in addition the fair value represents the fair value of a similar instrument without a conversion option being indirectly derived from existing market rate for similar borrowings and an estimate applied for the level of risk attached to the Company.

### 5 Issued capital

| | 31 December 2019 $ | 30 June 2019 $ |
|---|---|---|
| 456,239,077 (30 June 2018: 456,239,077) –Ordinary shares | **43,050,015** | 43,050,015 |
| Share issue costs | **(4,075,227)** | (4,075,227) |
| **Total** | **38,974,788** | 38,974,788 |

### 6 Contingencies

The Company did not have any contingencies at 31 December 2019 (30 June 2019: nil).

### 7 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:

During the half-year ended 31 December 2019, director's fees of $42,000 (31 December 2018: $42,000) were incurred.

On 22 June 2018, the Company entered into an unsecured convertible loan agreement with Emco Capital Pty Ltd ("Emco"), an entity associated with former director, Mr. Lloyd. Refer to Note 4 for further details.

#### (a) Related party balances

| | 31 December 2019 * $ | 30 June 2019 $ |
|---|---|---|
| CURRENT | | |
| - Trade and other payables: | | |
| Amount payable to related entities | **-** | 189,931 |
| Amount payable to related individuals* | **28,439** | 161,290 |
| **Total** | **28,439** | 351,221 |

* Balances at 31 December 2019 exclude amounts due to former directors.

# Notes to the Financial Statements

## For the Half-Year Ended 31 December 2019

### 8 Events occurring after the reporting date

On 30 January 2020, Mr Kane Marshall was appointed as a non-executive director of Hawkley. On 28 February 2020 a Notice of Meeting was issued to convene a meeting of shareholders to consider the proposed acquisition of the Burke County oil and gas project. On 12 March 2020 the convertible loan agreement with Emco Capital Pty Ltd was amended to remove the share conversion rights and extend the term of the loan from 30 April 2020 to 30 June 2020.

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak and a rapid escalation in oil production by Saudi Arabia. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but may impact our earnings, cash flow and financial condition.

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

### 9 Fair value measurement

The carrying value of financial assets and financial liabilities approximate their fair values.

Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000, Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

# Independent auditor's review report to the members of Hawkley Oil and Gas Limited

## Report on the half-year financial report

### Conclusion

We have reviewed the accompanying half-year financial report of Hawkley Oil and Gas Limited (the Company), which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Company is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Emphasis of matter – Material uncertainty related to going concern

We draw attention to Note 1 in the financial report, which describes the principal events and conditions that raise doubt about the Company's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

M P Cunningham
Partner
Perth
23 March 2020