HAWKLEY OIL AND GAS LIMITED

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

HAWKLEY OIL AND GAS LIMITED

FOR THE YEAR ENDED 30 JUNE 2016

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HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2016

Your directors present their report for the financial year ended 30 June 2016.

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 Glenn Featherby	Executive Chairman	
Mr Bill Foster	Non-Executive Director	
Mr Piers Lewis	Non-Executive Director	Appointed 14 March 2016
Mr Murray Wylie	Non-Executive Director	Appointed 19 February 2016
Mr Anthony Reilly	Non-Executive Director	Resigned 19 February 2016

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 also holds the position of Company Secretary with two other listed companies.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year consisted of oil and gas exploration in Ukraine. During the year there was no production of gas and condensate from the Group's production well in Sorochynska. The Company has focused on efforts to sell its Ukraine assets and seek out other investment opportunities.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The consolidated loss of the Group for the financial year after providing for income tax amounted to $718,589 (2015: $15,881,750).

Further discussion on the Group's operations now follows.

GEOPOLITICAL EVENTS

Following the onset of hostilities in Crimea in February 2014, the unstable political and economic situation has made Ukraine a difficult place in which to operate. The Ukraine government implemented emergency measures including capital controls to limit withdrawals from the country's banking system and emergency budget legislation from 1 August 2014 including the approximate doubling of royalty rates for gas to 55%. This temporary measure was in place for more than a year and was a significant factor when assessing the economic prospects of potential well workovers and other investments within Ukraine.

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

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 not successful. Since that time, Hawkley has pursued potential farm-in and joint arrangement options to maximize value from its existing Ukraine assets. With the ongoing political tensions and conflict between Ukraine and Russia, it has not been possible to attract any investment monies for Ukraine so the Company has instead sought to sell its Ukraine assets.

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 deposit of US$100,000 was received and shareholder approval was obtained on 16 March 2016 for the disposal of the Company's main undertaking in accordance with ASX Listing Rule 11.2.

The sale agreement with Tomeas was extended until 1 August 2016 after settlement was delayed whilst the parties worked through a number of due diligence and Ukraine regulatory approval issues. Hawkley gave the buyer further opportunities to complete the sale before deciding to terminate the sale agreement on 11 August 2016. The Company advised Tomeas that they may contact the Company if and when they have organised their finances and are able to proceed, however Hawkley would be free to enter into discussions with other interested parties.

CORPORATE

On 19 February 2016, Mr. Anthony Reilly resigned from his position as a Non-Executive Director of Hawkley. Mr. Reilly had been a director of Hawkley since October 2014. Mr. Murray Wylie, Hawkley's Company Secretary, was appointed to the Board as a Non-Executive Director also on 19 February 2016. Mr. Piers Lewis also joined the Board as a Non-Executive Director on 14 March 2016.

On 14 March 2016, Hawkley announced that it had entered into a mandate agreement with Merchant Capital Markets Pty Ltd ("Merchant") to act as lead manager to introduce potential corporate transactions to Hawkley. The agreement included a placement for the issue of 43,227,200 fully paid ordinary shares at A$0.003 per share under the Company's 15% placement capacity to raise A$129,681 cash before costs. The placement was completed on 14 March 2016.

The Company is also seeking opportunities in other regions that meet Hawkley's criteria and do not require significant acquisition capital to be raised as well as considering potential corporate transactions to increase value for shareholders. The Board has placed a greater emphasis on considering opportunities outside the Ukraine region in order to provide geographic and political diversity. Further, with the sustained downturn in the oil & gas sector and negativity within the capital markets, the Board has broadened its scope to consider opportunities in other sectors.

The Company currently has three unsecured loans from a party associated with a major shareholder (A$100,000) and an external party (A$270,000 and US$150,000 (approximately A$200,000)). The loans incur interest of 4.5% per annum calculated daily and applied upon settlement. The lenders have agreed to extend the repayment dates until the earlier of 31 December 2016 or receipt of the Ukraine sale proceeds.

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 decreased to a net liability position of $1,194,935 at 30 June 2016 (2015: net liability position of $806,170). The decrease has resulted due to the continued halt in gas and condensate production in Ukraine despite significant cuts in administrative expenses.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in the Group's state of affairs occurred during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

On 11 August 2016, the Group announced the termination of its agreement with Tomeas for the sale of its Ukraine assets. No other 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 completing a sale of the Group's Ukraine assets and entering into a new corporate transaction. Sale negotiations are ongoing and discussions are progressing with an Australian entity that has expressed interest in providing financial support and pursuing Oil & Gas opportunities in more politically stable countries.

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.

INFORMATION ON DIRECTORS

Mr Glenn Featherby	Executive Chairman
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.
Interest in Shares and Options	26,239,377 ordinary shares
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)

Mr Bill Foster	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	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
Special duties	Audit committee (Chair), remuneration committee

INFORMATION ON DIRECTORS (CONTINUED)

Mr Piers Lewis	Non-Executive Director (appointed 14 March 2016)
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.
Interest in Shares and Options	Nil.
Directorships held in other listed entities during the three years prior to the current year	Voyager Global Group Ltd Ardiden Limited Ultima United Limited
Special duties	Remuneration committee (Chair), audit committee

Mr Murray Wylie	Non-Executive Director (appointed 19 February 2016)
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.
Interest in Shares and Options	Nil.
Directorships held in other listed entities during the three years prior to the current year	Nil.

INFORMATION ON DIRECTORS (CONTINUED)

Mr Anthony Reilly	Non-Executive Director (resigned 19 February 2016)
Experience	Mr Reilly has over 20 years experience in financial markets, financial risk management and corporate finance. Working in investment banking, his clients have included a number of global corporations and fund managers based in Australia, the UK and Europe. He is presently Executive Director of ASX-listed Paradigm Metals and a Non-Executive Director of ASX-listed Venturex Resources.
Interest in Shares and Options	Nil.
Directorships held in other listed entities during the three years prior to the current year	Paradigm Metals Limited Venturex Resources Limited

MEETINGS OF DIRECTORS

During the financial year, 5 meetings of directors (including committees of directors) were held. 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 Glenn Featherby	3	3	-	-	1	1
Mr Bill Foster	3	3	-	-	2	2
Mr Piers Lewis	1	1	-	-		
Mr Murray Wylie	1	1	-	-		
Mr Anthony Reilly	2	2	-	-	1	1

INDEMNIFYING OFFICERS OR AUDITORS

The Group has not entered into any insurance contracts for the indemnification of Directors and Officers of the Company.

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.

OPTIONS/PERFORMANCE RIGHTS

At the date of this report, there are 11,000,000 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
			11,000,000

During the year ended 30 June 2016, no ordinary shares of Hawkley Oil and Gas Limited (2015: 1,000,000) 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.

NON-AUDIT SERVICES (CONTINUED)

The following fees were paid to the external auditors during the year ended 30 June 2016:

	2016	2015
	$	$
Auditing or reviewing the financial report	21,180	43,723
	21,180	43,723

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2016 has been received and can be found on page 16 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.

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. There are no performance criteria for the grant of options, but rather are at the discretion of the Board.

As such, LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Group's performance. LTI grants to executives are delivered in the form of options or rights.

REMUNERATION REPORT (CONTINUED) (AUDITED)

REMUNERATION POLICY (CONTINUED)

Usually options issued under the employee share option plan, including executive options, generally 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 are granted under the plan for no consideration. They also carry no dividend or voting rights.

When exercisable, each option 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.

During the previous financial year options were granted as equity compensation benefits by either shareholder approval or under the Employee Share Option Plan (ESOP) to certain Directors and key management personnel as disclosed below. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity.

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.

The Group also remunerates key management personnel via the granting of performance rights under the Performance Rights Plan approved at the annual general meeting of 29 November 2013. The performance rights, once vested, entitle the key management personnel to share in the Company.

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.

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 behaviours 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.

	2012	2013	2014	2015	2016
	$	$	$	$	$
Net Profit/(Loss)	6,775,332	(6,678,738)	(23,535,043)	(15,881,750)	(718,589)
Share Price at year-end	0.165	0.035	0.017	0.005	0.003

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. The table also illustrates the proportion of remuneration that was performance and non-performance based and the proportion of remuneration received in the form of options/rights.

REMUNERATION REPORT (CONTINUED) (AUDITED)

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

Key Management Personnel	POSITION HELD AS AT 30 JUNE 2016	CONTRACT DETAILS (DURATION & TERMINATION)	OPTIONS/ RIGHTS	PROPORTIONS OF ELEMENTS OF REMUNERATION NOT RELATED TO PERFORMANCE FIXED SALARY/ FEES	TOTAL
			%	%	%
Mr Glenn Featherby	Executive Chairman	On going contract with no notice period	-	100	100
Mr Bill Foster	Non-Executive Director	On going contract with no notice period	-	100	100
Mr Piers Lewis	Non-Executive Director	On going contract with no notice period	-	100	100
Mr Murray Wylie	Non-Executive Director/ Company Secretary	On going contract with no notice period.	-	100	100

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

Terms of employment require that the relevant group entity provide an executive contracted person with a minimum of 3 months notice prior to termination of contract. No termination payments are generally payable. A contracted person deemed employed on a permanent basis may terminate their employment by providing at least 3 months notice. Termination payments are not payable on resignation or under the circumstances of unsatisfactory performance.

REMUNERATION REPORT (CONTINUED) (AUDITED)

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2016

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 2016

		SHORT-TERM BENEFITS (A)	POST-EMPLOYMENT BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS		
		SALARY AND FEES	PENSION AND SUPERANNUATION	OPTIONS/PERFORMANCE RIGHTS	TERMINATION BENEFITS	TOTAL
		$	$	$	$	$
Directors						
Mr Glenn Featherby	2016	132,785	1,215	-	-	134,000
	2015	164,384	15,616	-	-	180,000
Mr Bill Foster	2016	56,667	-	-	-	56,667
	2015	62,334	1,666	-	-	64,000
Mr Piers Lewis	2016	12,483	-	-	-	12,483
Mr Anthony Reilly	2016	36,657	3,482	-	-	40,139
	2015	41,793	3,970	-	-	45,763
Mr Richard Reavley	2015	124,256	-	-	121,448	245,704
Lord Richard Risby	2015	17,182	-	(4,985)	-	12,197
Mr Graham Lyon	2015	14,073	-	(9,969)	-	4,104
	2016	238,592	4,697	-	-	243,289
	2015	424,023	21,252	(14,954)	121,448	551,769
Other Key Management Personnel						
Mr Murray Wylie	2016	43,836	4,164	-	-	48,000
	2015	43,836	4,164	-	-	48,000
	2016	43,836	4,164	-	-	48,000
	2015	43,836	4,164	-	-	48,000

The following directors were appointed or resigned during the year or prior year;
- Mr Anthony Reilly (appointed 14 October 2014, resigned 19 February 2016);
- Mr Murray Wylie (appointed director 19 February 2016) in addition to his role as Company Secretary;
- Mr Piers Lewis (appointed director 14 March 2016).

REMUNERATION REPORT (CONTINUED) (AUDITED)

- Mr Richard Reavley (resigned 14 October 2014)
- Mr Graham Lyon (resigned 14 October 2014)
- Lord Richard Risby (resigned 14 October 2014)

(A) Salary, fees and leave for key management personnel includes $502,261 deferred directors' fees unpaid at 30 June 2016 ($359,285 unpaid at 30 June 2015).

OPTIONS GRANTED

There were no options granted to key management personnel during the year ended 30 June 2016.

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 AS REMUNERATION DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE ON RESIGNATION	BALANCE AT END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISABLE	VESTED AND UNEXERCISABLE
30 JUNE 2016								
Mr Glenn Featherby	-	-	-	-	-	-	-	-
Mr Bill Foster	2,000,000	-	-	-	2,000,000	-	2,000,000	-
Mr Piers Lewis	-	-	-	-	-	-	-	-
Mr Murray Wylie	-	-	-	-	-	-	-	-
Mr Anthony Reilly	-	-	-	-	-	-	-	-
	2,000,000	-	-	-	2,000,000	-	2,000,000	-

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	GRANTED AS REMUNERATION DURING THE YEAR	ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	BALANCE ON RESIGNATION	BALANCE AT END OF YEAR
30 June 2016					
Mr Glenn Featherby	26,239,377	-	-	-	26,239,377
Mr Bill Foster	-	-	-	-	-
Mr Piers Lewis	-	-	-	-	-
Mr Murray Wylie	-	-	-	-	-
Mr Anthony Reilly	-	-	-	-	-
	26,239,377	-	-	-	26,239,377

REMUNERATION REPORT (CONTINUED) (AUDITED)

Voting and comment made on the Group's 2015 Annual General Meeting

The Group received approximately 97% (2014: 99%) of "yes" votes on its remuneration report for the year ended 30 June 2015.

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

Director: ....

Mr Glenn Featherby

Dated 30 September 2016

Building a better
working world

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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 2016, 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
30 September 2016

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2016

		2016	2015
		$	**$**
Sales revenue		-	2,780,813
Other income	2(a)	181,338	29,231
Total revenue		181,338	2,810,044
Cost of sales		-	(2,593,253)
Gross profit		181,338	216,791
Expenses	2(b)	(899,927)	(16,092,850)
Loss before income taxes		(718,589)	(15,876,059)
Income tax expense	3(a)	-	(5,691)
Net loss for the year		(718,589)	(15,881,750)
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Foreign currency translation		201,936	7,420,759
Total comprehensive loss for the year		(516,653)	(8,460,991)

Loss per share:

Basic loss per share	13	(0.002)	(0.055)
Diluted loss per share	13	(0.002)	(0.055)

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	NOTE	2016 $	2015 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	238,809	109,815
Trade and other receivables	6	724	38,960
Other assets	8	3,893	30,610
TOTAL CURRENT ASSETS		243,426	179,385
NON-CURRENT ASSETS			
Property, plant and equipment	7	-	118
TOTAL NON-CURRENT ASSETS		-	118
TOTAL ASSETS		243,426	179,503
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	1,256,514	806,190
TOTAL CURRENT LIABILITIES		1,256,514	806,190
NON-CURRENT LIABILITIES			
Provisions	10	181,847	179,483
TOTAL NON-CURRENT LIABILITIES		181,847	179,483
TOTAL LIABILITIES		1,438,361	985,673
NET LIABILITIES		(1,194,935)	(806,170)
(SHAREHOLDER'S DEFICIT) / EQUITY			
Issued capital	11	38,478,325	38,350,437
Reserves	12	16,082,759	15,880,823
Accumulated losses		(55,756,019)	(55,037,430)
TOTAL SHAREHOLDER'S DEFICIT		(1,194,935)	(806,170)

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	ORDINARY SHARES $	ACCUMULATED LOSSES $	CONVERTIBLE NOTE EQUITY RESERVE $	SHARE BASED PAYMENT RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	TOTAL $
Balance at July 1, 2014	38,072,051	(39,155,680)	(687,907)	4,917,543	4,427,137	7,573,144
Loss attributable to members of the parent entity	-	(15,881,750)	-	-	-	(15,881,750)
Other comprehensive income for the year	-	-	-	-	7,420,759	7,420,759
Total other comprehensive income for the year	-	(15,881,750)	-	-	7,420,759	(8,460,991)
Share based payment	-	-	-	83,291	-	83,291
Shares issued on exercise of options	280,000	-	-	(280,000)	-	-
Share issue costs	(1,614)	-	-	-	-	(1,614)
Sub-total	278,386	(15,881,750)	-	(196,709)	7,420,759	(8,379,314)
Balance at June 30, 2015	38,350,437	(55,037,430)	(687,907)	4,720,834	11,847,896	(806,170)

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2016

	ORDINARY SHARES	ACCUMULATED LOSSES	CONVERTIBLE NOTE EQUITY RESERVE	SHARE BASED PAYMENT RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL
	$	$	$	$	$	$
Balance at July 1, 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
Total other comprehensive income for the year	-	(718,589)	-	-	201,936	(516,653)
Shares issued	129,682	-	-	-	-	129,682
Share issue costs	(1,794)	-	-	-	-	(1,794)
Sub-total	127,888	(718,589)	-	-	201,936	(388,765)
Balance at June 30, 2016	38,478,325	(55,756,019)	(687,907)	4,720,834	12,049,832	(1,194,935)

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 $	2015 $
CASH FROM OPERATING ACTIVITIES:			
Receipts from customers		38,236	2,854,933
Payments to suppliers and employees		(617,388)	(3,568,031)
Interest received		1,014	18,038
Income taxes paid		-	(5,691)
Net cash used in operating activities	22	(578,138)	(700,751)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale of assets		103,209	-
Proceeds from sale deposit		134,789	-
Purchase of property, plant and equipment		-	(117,238)
Net cash provided by/(used in) investing activities		237,998	(117,238)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		505,965	225,000
Repayment of borrowings		(155,000)	-
Interest paid		(4,650)	-
Proceeds from share issue		129,682	-
Share issue costs		(1,794)	(1,614)
Net cash provided by financing activities		474,203	223,386
Net cash increase (decrease) in cash and cash equivalents		134,063	(594,603)
Foreign exchange differences		(5,069)	(40,900)
Cash and cash equivalents at beginning of year		109,815	745,318
Cash and cash equivalents at end of financial year	5	238,809	109,815

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 2016, and was authorised for issue in accordance with a resolution of the Directors on 30 September 2016.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 complies with Australian Accounting Standards and International Financial Reporting Standards ('IFRS') as issue by the International Accounting Standards Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. 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 have 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 2016, the Group generated a consolidated loss of $718,589 and incurred operating cash outflows of $578,138. As at 30 June 2016, the Group has cash and cash equivalents of $238,809, net current liabilities of $1,013,088 and net liabilities of $1,194,935.

In December 2014, production was halted on the Group's sole operating well, the Sorochynska 201 well. The well experienced a sudden significant decrease in production due to water influx. The Group has been unable to recommence production. In absence of cash inflows from the Sorochynska 201 well, the Group needs to source working capital in order 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) Creditors with an outstanding balance at 30 June 2016 of $1,090,293 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 creditors represent key management personnel of the Group and external lenders.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ii) The Group are currently in discussions with a number of parties relating to the sale or partial sale of assets, including farm out arrangements, and other corporate transactions and capital raising opportunities, with the objective of providing the Group with additional working capital.

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 it 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.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and consolidated statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(A) PRINCIPLES OF CONSOLIDATION (CONTINUED)

Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) REVENUE AND OTHER INCOME

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(C) INCOME TAX (CONTINUED)

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 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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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. The overseas subsidiaries of the parent have United States dollars or Ukraine Hryvnia as their functional currency. All other 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. Non monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised through the profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

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:

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) FOREIGN CURRENCY TRANSACTIONS AND BALANCES (CONTINUED)

- 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.

(G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities in the statement of financial position.

(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.

1 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.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) *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.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(H) FINANCIAL INSTRUMENTS (CONTINUED)

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months are the end of the reporting period.

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets)

(v) *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.

(I) PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost, less, any accumulated depreciation and impairment losses.

PLANT AND EQUIPMENT

Plant and equipment are measured on the cost basis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

DEPRECIATION

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The estimated useful lives used for each class of depreciable assets are:

CLASS OF FIXED ASSET	USEFUL LIFE
Plant and Equipment	3 - 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included through the profit or loss.

Property, plant and equipment is derecognised and removed from the consolidated statement of financial position on disposal or when no future economic benefits are expected. Gains and losses from derecognition are measured as the difference between the net disposal proceeds, if any, and the carrying amount and are recognised in profit or loss.

Subsequent costs are included in the property, plant and equipment's carrying value or recognised as a separate asset when it is probable that future economic benefits associated with the item will be realised and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss.

(J) 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.

(K) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(L) 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.

(M) BORROWING COSTS

For periods beginning on or after January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to ready for its intended use are capitalised as part of the cost of the asset.

Other borrowing costs are expensed in the period in which they occur. Borrowing costs consists of finance charges and interest expenses calculated using the effective interest method, and include exchange differences arising from foreign currency borrowings to the extent that they are regarded as interest cost adjustments.

(N) 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.

(O) 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) NEW STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

(O) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

KEY ESTIMATES - IMPAIRMENT

The Group assesses impairment at the end of each reporting period by evaluating conditions specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using fair value less cost to sell or value-in-use calculations which incorporate various key assumptions.

KEY ESTIMATES - REHABILITATION

The Group estimates the future removal and rehabilitation costs of its oil and gas activities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation in the jurisdiction in question, the extent of reclamation activities required, the engineering methodology for estimating cost, future removal technologies in determining the removal cost, and liability specific discount rates to determine the present value of these cash flows.

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.

KEY JUDGMENTS - EXPLORATION AND EVALUATION EXPENDITURE

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves.

(P) NEW STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

From 1 July 2015 the Group has adopted all new and amended accounting standards mandatory for annual periods beginning on or after 1 July 2015 these have had no material impact on the Group.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(P) NEW STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE

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, except for the following:

Title	Summary	Application date for Group
AASB 9 – Financial Instruments	A finalised version of AASB 9 which contains accounting requirements for financial instruments, replacing AASB 139 Financial Instruments: Recognition and Measurement. The standard contains requirements in the areas of classification and measurement, impairment, hedge accounting and de-recognition.	1 July 2018
AASB 2014-3 - Accounting for Acquisitions of Interests in Joint Operations (AASB1 & AASB11)	AASB 11 Joint Arrangements now provides guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The impact of this change to the Group is that such acquisitions will be accounted for as business combinations and not asset acquisitions.	1 July 2018
AASB 15 - Revenue from Contracts with Customers	AASB 15 provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.	1 July 2018

The Group has yet to fully assess the impact of these new and amended Accounting Standards and Interpretations.

2 PROFIT FOR THE YEAR

(A) OTHER INCOME

	2016 $	2015 $
Interest revenue	812	18,038
Gains on the sale of assets	180,526	11,193
	181,338	29,231

(B) EXPENSES INCLUDE

	2016 $	2015 $
Depreciation, amortisation and impairment:		
Depreciation expenses (included in other expenses)	118	1,800
Amortisation expenses (included in cost of sales)	-	577,566
Impairment expense - Exploration assets (included in other expenses)	-	1,228,994
Impairment expense – P,P&E / Gas Properties (included in other expenses)	-	2,667,305
Impairment expense - Loan (included in other expenses)	-	1,851,168
	118	6,326,833
Administrative expenses (included in other expenses):		
Corporate and other expenses	288,722	613,780
Travel and accommodation expenses	-	54,906
	288,722	668,686
Employee benefits expense (included in other expenses):		
Wages and salaries	43,836	62,066
Share Based Payments	-	83,291
Superannuation	4,112	4,188
	47,948	149,545
Lease payments:		
Lease payments	19,347	19,079
	19,347	19,079

3 INCOME TAX BENEFIT/(EXPENSE)

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

	2016	2015
	$	$
Current tax	-	(5,691)
Deferred tax	-	-
	-	(5,691)

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

	2016	2015
	$	$
Prima facie tax benefit on loss before income tax at 30% (2015: 30%)	(215,577)	(4,762,818)
- Prior period overs/unders	-	5,691
- Non deductable expenses/non assessable income	35,031	-
- Temporary differences not recognised as a deferred tax asset	-	-
- Current year losses not recognised as a deferred tax asset	180,546	4,762,818
- Income tax (expense) / benefit	-	5,691

4 DEFERRED TAX ASSETS AND LIABILITIES

	ASSETS		LIABILITIES		TOTAL	
	2016 $	2015 $	2016 $	2015 $	2016 $	2015 $
Exploration & evaluation expenditure and depreciable plant and equipment	-	1,121,105	-	-	-	1,121,105
Prepayments	-	-	-	(181)	-	(181)
Provisions	47,149	3,680	-	-	47,149	3,680
Accruals	3,536	3,630	-	-	3,536	3,630
Receivables	-	334,285	-	-	-	334,285
Deferred tax assets not recognised	(52,686)	(1,462,519)	-	-	(52,686)	(1,462,519)
Total	-	181	-	(181)	-	-

	30 JUNE 2015 $	RECOGNISED IN INCOME	30 JUNE 2016 $
Exploration and evaluation and depreciation on plant and equipment	1,121,105	-	-
Prepayments	(181)	-	-
Provisions	3,680	-	47,149
Accruals	3,630	-	3,536
Deferred tax assets not recognised	(1,462,519)	-	(52,686)
Receivables	334,285	-	-
	-	-	-

Estimated unused tax losses at 30 June 2016 of $10,858,175 (2015: $10,276,016) 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.

5 CASH AND CASH EQUIVALENTS

	2016	2015
	$	$
Cash at bank	238,809	109,815
	238,809	109,815

The Ukraine National Bank has implemented temporary capital controls to limit withdrawals from the country's banking system. This impacts $2,034 of the cash and cash equivalents disclosed above but still meets the definition of cash and cash equivalents.

6 TRADE AND OTHER RECEIVABLES

	2016	2015
	$	$
CURRENT		
Trade receivables	-	36,403
Other receivables	724	2,557
	724	38,960

As at 30 June 2015, trade receivables of an initial value of $138,852 were considered impaired and fully provided for. As at 30 June 2016, $97,735 of this amount remains fully provided for.

AGED ANALYSIS

The ageing analysis of current receivables is as follows:

	2016	2015
	$	$
> 120 days	-	36,403
	-	36,403

FAIR VALUE AND RISK EXPOSURES

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

7 PROPERTY, PLANT AND EQUIPMENT

	2016 $	2015 $
PLANT AND EQUIPMENT		
- at cost	3,122,310	3,122,310
- accumulated depreciation	(432,679)	(432,561)
- accumulated impairment	(2,689,631)	(2,689,631)
	-	118

(A) MOVEMENTS IN CARRYING AMOUNTS

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	PLANT AND EQUIPMENT $
Balance at 30 June 2015	
Balance at the beginning of year	118
Depreciation expense	(118)
Balance at 30 June 2016	-
Balance at 30 June 2014	
Balance at the beginning of year	2,473,143
Additions	117,238
Depreciation expense	(132,657)
Impairment expense	(2,003,317)
Foreign exchange	(454,289)
Balance at 30 June 2015	118

During the year ended 30 June 2015, an impairment of $2,003,317 was made to write plant and equipment to its recoverable amount. The impairment related to the cessation of production on the Sorochynska field due to water influx issues

8 OTHER ASSETS

	2016	2015
	$	$
CURRENT		
Prepayments	3,893	30,610
	3,893	30,610

9 TRADE AND OTHER PAYABLES

	2016	2015
	$	$
CURRENT		
Other payables	1,171,178	743,579
Trade payables	75,412	62,611
Employee benefits	9,924	-
	1,256,514	806,190

10 PROVISIONS

	2016	2015
	$	$
NON-CURRENT		
Carrying amount at beginning of year	179,483	230,306
Accretion	21,552	23,698
Foreign exchange impact	(19,188)	(74,521)
	181,847	179,483

Provisions relate to the cost of restoration and rehabilitation of Ukraine gas assets upon closure of plant. Outflow is anticipated to occur once the production licence expires. The Group currently holds a 20 year production licence over its Sorochynska asset.

11 ISSUED CAPITAL

	2016	2015
	$	$
331,408,627 (2015: 288,181,427) Ordinary shares	42,550,658	42,420,976
Share issue costs	(4,072,333)	(4,070,539)
	38,478,325	38,350,437

ORDINARY SHARES

	2016	2015
	NO.	NO.
At the beginning of the reporting period	288,181,427	287,181,427
Shares issued during the year:		
Placement	43,227,200	-
Exercising rights	-	1,000,000
At reporting date	331,408,627	288,181,427

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.

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

	2016	2015
	$	$
Earnings used to calculate basic loss per share	(718,589)	(15,881,750)
Earnings used in calculation of diluted loss per share	(718,589)	(15,881,750)

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

	2016	2015
	NO.	NO.
Weighted average number of ordinary shares outstanding during the year - No. used in calculating basic loss per share	300,936,994	287,770,468
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive loss per share	300,936,934	287,770,468

The Group has 11,000,000 unexercised options, which may be dilutive in the future.

14 CAPITAL AND LEASING COMMITMENTS

	2016 $	2015 $
Drilling commitments:		
Payable:		
- no later than 12 months*	10,176	112,909
	10,176	112,909

*subject to renegotiation or potential loss of tenure on Chernetska licence which has been fully impaired to nil at 30 June 2016.

15 FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from related parties.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	NOTE	2016 $	2015 $
Financial Assets			
Cash and cash equivalents	5	238,809	109,815
Trade and other receivables	6	724	38,960
Total Financial Assets		239,533	148,775
Financial Liabilities			
Trade and other payables	9	1,256,514	806,190
Total Financial Liabilities		1,256,514	806,190

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 inherent in oil and gas exploration activities are identified and then managed or kept as low as reasonably practicable.

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

FINANCIAL RISK MANAGEMENT POLICIES (CONTINUED)

The main financial risks that arise in the normal course of business are market risk (including currency risk, interest rate risk and price 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 Executive 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.

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.

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Prudent liquidity risk management implies maintaining sufficient cash reserves to meet the ongoing operational requirements of the business. It is the Group's policy to maintain sufficient funds in cash and cash equivalents. Furthermore, the Group monitors its ongoing research and development cash requirements and raises equity funding as and when appropriate to meet such planned 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 liabilities of $1,013,088, however creditors with an outstanding balance at 30 June 2016 of $1,090,293 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.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. 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 that banking facilities will be rolled forward.

Financial liability and financial asset maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL CONTRACTUAL CASH FLOW	
	2016	2015	2016	2015	2016	2015
	$	$	$	$	$	$
Financial liabilities due for payment						
Trade and other payables	1,256,514	806,190	-	-	1,256,514	806,190
Total contractual outflows	1,256,514	806,190	-	-	1,256,514	806,190
Financial assets - cash flows realisable						
Trade and other receivables	724	38,960	-	-	724	38,960
Net (outflow)/inflow on financial instruments	(1,255,790)	(767,230)	-	-	(1,255,790)	(767,230)

(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. At balance date, the Group has three unsecured loans, recorded in other payables in Note 9, each at fixed interest rates of 4.5%. 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 $2,388/($2,388) (2015: $1,098/($1,098)). 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 2016.

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

ii. Foreign exchange risk

As a result of significant operations in the Ukraine and significant payments and receipts denominated in United States Dollars, the Group's statement of financial position can be affected significantly by movements in the UAH/AUD and USD/AUD exchange rates. 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 (2015: 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.

	2016 $	2015 $
Post tax loss - higher / (lower)		
- FX +15% (2015: +15%)	(33,281)	2,629,473
- FX -15% (2015: -15%)	33,281	(3,560,958)
Equity - higher / (lower)		
- FX +15% (2015: +15%)	-	-
- FX -15% (2015: -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 Group is managed primarily on the basis of product category, operating segments are therefore determined on the same basis. The Group's sole reporting segment is the oil and gas segment located wholly with Ukraine.

The accounting policies for internal reporting purposes are consistent with those applied in the preparation of the financial report.

TYPES OF PRODUCTS AND SERVICES

The Group earned revenue solely from the sale of gas.

16 OPERATING SEGMENTS (CONTINUED)

GEOGRAPHICAL INFORMATION

The Group's production and sale of gas operates solely in one geographical segment being Ukraine.

	2016		2015	
	REVENUE	NON-CURRENT ASSETS	REVENUE	NON-CURRENT ASSETS
Ukraine	-	-	2,808,244	-
Australia	-	-	1,800	118
	-	-	2,810,044	118

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 2016.

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

	2016 $	2015 $
Short-term employee benefits	282,428	467,859
Post-employment benefits	8,861	25,417
Termination benefits	-	121,448
Share-based payments	-	(14,954)
	291,289	599,770

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 $19,800 (2015: $19,800) were made to the entity.

During the financial year ending 30 June 2015, $125,000 was loaned to the Company by a related party of Mr Featherby. The loan principal was increased to $155,000 during the financial year ending 30 June 2016. The loan incurred interest at 4.5% and the principal and interest were repaid on 21 January 2016.

18 AUDITORS' REMUNERATION

	2016 $	2015 $
Remuneration of the auditor of the parent entity for:		
- Audit services	21,180	43,723
	21,180	43,723

19 CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)* 2016	PERCENTAGE OWNED (%)* 2015
Parent Entity:			
Hawkley Oil and Gas Limited	Australia		
Subsidiaries of parent entity:			
Janita Global Ltd	B.V.I.	100	100
Ukraine Investments Ltd	Australia	100	100
Ukraine Gas Investments Ltd	Australia	100	100
Prime Gas LLC	Ukraine	100	100

* Percentage of voting power is in proportional to ownership

20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities at 30 June 2016.

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.

Transaction with related parties:

INTERCOMPANY LOANS

Janita Global Limited has a loan receivable from Prime Gas LLC in the amount of AUD$21,222,035 (2015: AUD$20,644,166). There is an interest receivable component of AUD$7,982,709 (2015: AUD$7,834,601) that is over and above this amount.

21 RELATED PARTY TRANSACTIONS (CONTINUED)

As part of the proposed sale of Janita Global Limited, Hawkley Oil and Gas Limited forgave an interest free intercompany loan to Janita Global Limited of AUD$14,432,312 on 19 February 2016. The loan balance at 30 June 2015 was AUD$14,637,920.

There is an amount of AUD$68,916 (2015: AUD$113,278) 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.

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 repayment date was extended to 31 December 2016. The loan incurs interest at 4.5% repayable at settlement. Short term loans totaling AUD$20,550 were provided by two employees of Prime Gas during the financial year ending 30 June 2016.

(A) RELATED PARTY BALANCES

	2016	2015
	$	$
CURRENT		
Amount receivable from Ukrgeoinvest:		
- Trade and other receivables	-	36,403
Total	-	36,403
CURRENT		
- Trade and other payables:		
Amount payable to related entities	105,425	226,973
Amount payable to related individuals	67,800	11,559
Total	173,225	238,532

(B) RELATED PARTY TRANSACTIONS

	2016	2015
	$	$
Sales to Ukrgeoinvest	-	2,501,147

22 CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

	2016	2015
	$	$
Net loss for the period	(718,589)	(15,881,750)
Non-cash flows in profit		
Share based payments	-	83,291
Foreign exchange (gains)/losses	(11,001)	8,024,422
Depreciation and amortisation	118	579,366
Impairment	-	6,141,629
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	38,236	254,941
(Increase)/decrease in prepayments	26,717	53,125
(Increase)/decrease in inventories	-	23,177
Increase/(decrease) in trade payables and accruals	84,018	72,174
Increase/(decrease) in provisions	2,363	(51,126)
	(578,138)	(700,751)

23 SHARE-BASED PAYMENTS

On 17 January 2014, the Group granted 9,000,000 options to an employee. Using the Black and Scholes Option valuation methodology, the fair value of the options issued were calculated using the following inputs.

Number of options:	9,000,000	Risk free interest rate:	3.24%
Exercise price:	$0.10	Share price at date of issue:	$0.024
Expected exercise date:	30 September 2018	Expected volatility	92%
Each option was valued at	$0.011		

For detail on the total expense arising from share based payments see note 2(b).

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

	NUMBER	WEIGHTED AVERAGE EXERCISED PRICE
Options outstanding as at 30 June 2014	16,000,000	$ 0.12
Expired/forfeited	(5,000,000)	$ (0.16)
Options outstanding as at 30 June 2015	11,000,000	$ 0.10
Options outstanding as at 30 June 2016	11,000,000	$ 0.10

The weighted average remaining contractual life of options outstanding at year end was 2.25 years.

All options outstanding as at 30 June 2016 are exercisable at 10 cents.

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

Performance Rights outstanding at 30 June 2014	**1,000,000**
Granted	-
Expired	-
Exercised	(1,000,000)
Performance Rights outstanding at 30 June 2015	-
Performance Rights outstanding at 30 June 2016	-

24 EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 August 2016, the Group announced the termination of its agreement with Tomeas for the sale of its Ukraine assets. No other 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.

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. Note 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.

	2016	2015
	$	$
Statement of Financial Position		
Assets		
Current assets	243,426	271,688
Non-current assets	-	118
Total Assets	243,426	271,806
Liabilities		
Current liabilities	1,015,685	271,806
Total Liabilities	1,015,685	271,806
Equity		
Issued capital *	60,496,968	60,369,079
Accumulated losses	(65,847,765)	(64,947,617)
Reserves	4,578,538	4,578,538
Total Equity	(772,259)	-
Statement of Comprehensive Income		
Profit /(loss) for the year	(900,148)	(4,412,531)
Total comprehensive income	(900,148)	(4,412,531)

25 PARENT ENTITY (CONTINUED)

CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2016 or 30 June 2015.

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 2016 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 2016.

On behalf of the Board

Glenn Featherby
Director
30 September 2016

Ernst & Young
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Independent auditor's report to the members of Hawkley Oil and Gas Limited

Report on the financial report

We have audited the accompanying financial report of Hawkley Oil and Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2016, 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 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Building a better working world

Opinion

In our opinion:

a. the financial report of Hawkley Oil and Gas Limited is 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 2016 and of its performance for the year ended on that date;

    ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report. The matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern, and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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.

Opinion

In our opinion, the Remuneration Report of Hawkley Oil and Gas Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

D A Hall
Partner
Perth
30 September 2016