

HAWKLEY OIL AND GAS LIMITED

ACN 115 712 162

PROSPECTUS

For an offer of up to 166,666,667 shares in the capital of the Company (**Shares**) at an issue price of \$0.03 per Share to raise \$5,000,000 (before costs) (**Offer**). Oversubscriptions of up to a further 66,666,666 Shares at an issue price of \$0.03 per Share to raise up to a further \$2,000,000 may be accepted.

The Offer comprises:

- a priority offer to Eligible Shareholders of the Company as at the Record Date (**Priority Offer**); and
- an offer to the general public (**Public Offer**).

The Offer will take place on a post-consolidation basis, following the 10 for 1 consolidation of the Company's issued share capital (**Consolidation**).

The Offer is conditional upon satisfaction of the Conditions, which are detailed further in Section 2.3. No Securities will be issued pursuant to this Prospectus until such time as the Conditions are satisfied.

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities.

Lead Manager to the Offer: CPS Capital Group Pty Ltd (ACN 008 055 636) AFSL 294 848.

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

The Securities offered by this Prospectus should be considered highly speculative.

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1. CORPORATE DIRECTORY

Directors

Tom Fontaine
Managing Director

Murray Wylie
*Non-Executive Director
(to retire on re-compliance)*

Kane Marshall
Non-Executive Director

Proposed Director

Jason Spittlehouse
Non-Executive Director

Company Secretary

Murray Wylie

ASX Code

HOG

Lead Manager to the Offer

CPS Capital Group Pty Ltd
Level 45
108 St Georges Terrace
PERTH WA 6000

Corporate Advisers to the Company

Woodchester Capital Pty Ltd
11/216 St Georges Tce
PERTH WA 6000

International Island Group Pty Ltd
55 Birkett Street
BEFORD WA 6052

Registered Office

Suite 3 Level 3
1292 Hay Street
WEST PERTH WA 6005

Telephone: + 61 8 9226 3211
Facsimile: + 61 8 9322 4073

Email: information@hawkleyoilandgas.com
Website: www.hawkleyoilandgas.com

Share Registry*

Automatic Registry Services
Level 2, 267 St Georges Terrace
PERTH WA 6000

Australian Solicitors to the Company

Steinepreis Paganin
The Read Buildings
Level 4, 16 Milligan Street
PERTH WA 6000

Auditor*

Ernst & Young
11 Mounts Bay Road
PERTH WA 6000

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station St
PERTH WA 6008

Independent Reserves Consultant

Netherland, Sewell & Associates, Inc.
Fulbright Tower, Suite 3200
1301 McKinney St
HOUSTON TEXAS 77010

Title Report Solicitors

Illingworth Renner Basin Law Group LLP
Suite A
508 Main St
EVANSVILLE INDIANNA 47708

* These entities have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

2. IMPORTANT NOTICE

2.1 General

This Prospectus is dated 6 April 2020 and was lodged with the ASIC on that date. The ASIC, the ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares the subject of this Prospectus should be considered highly speculative.

2.2 Change in nature and scale of activities and re-compliance with Chapters 1 and 2 of the ASX Listing Rules

2.2.1 Change in nature and scale of activities

ASX has determined that the Acquisition, if successfully completed, will represent a significant change in the nature and scale of the Company's operations.

The change in the nature and scale of the Company's activities will require:

- (a) the approval of Shareholders (which was received at the General Meeting); and
- (b) the Company to re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

2.2.2 Re-compliance with Chapters 1 and 2 of the ASX Listing Rules

This Prospectus is a re-compliance prospectus for the purposes of satisfying Chapters 1 and 2 of the ASX Listing Rules and to satisfy the ASX requirements for re-admission to the Official List following a change in nature and scale of the Company's activities. Some of the key requirements of Chapters 1 and 2 of the ASX Listing Rules are:

- (a) the Company must satisfy the shareholder spread requirements relating to the minimum number of Shareholders and the minimum value of the shareholdings of those Shareholders; and
- (b) the Company must satisfy the "assets test" as set out in ASX Listing Rule 1.3.

The Company expects that the conduct of the Offer pursuant to this Prospectus will enable the Company to satisfy the above requirements.

2.2.3 Guidance Note 33 – automatic removal from the Official List

Recent changes to ASX Guidance Note 33 have altered ASX's policy in relation to the automatic removal of entities from the Official List.

ASX policy, which came into effect on 3 February 2020, is to automatically remove entities whose securities have been suspended from quotation for a continuous period of 2 years from the Official List. Therefore, any entities that had been continuously suspended since on or before 31 January 2018 and remained suspended at the close of trading on 31 January 2020 were automatically removed from the Official List at the commencement of trading on 3 February 2020 (unless further extended by ASX).

The Company has been suspended from quotation since 11 May 2017 and was due to be automatically removed from the Official List of the ASX on 3 February 2020. However, ASX has confirmed that it will extend the Company's removal date to 30 May 2020 provided that it receives Shareholder approval for the Acquisition Resolutions and lodges its re-compliance prospectus with ASIC by no later than 6 April 2020.

The Company confirms that all Acquisition Resolutions were approved by Shareholders at its General Meeting held on 6 April 2020, and that this Prospectus was lodged with ASIC on 6 April 2020. Therefore, provided that the Company has satisfied ASX Listing Rules 11.1.2 and 11.1.3 (including re-compliance with Chapters 1 and 2 of the ASX Listing Rules) and has its securities reinstated to Official Quotation by 30 May 2020, the Company will not be removed from the Official List.

In the event that the Company's securities have not been reinstated to the Official List by 30 May 2020, the Offer will not proceed, and no Shares will be issued pursuant to this Prospectus. If this occurs, the Company will repay all application monies received by it in connection with this Prospectus within the time prescribed under the Corporations Act, without interest.

2.3 Conditional Offers

The Offer is conditional on:

- (a) the Company obtaining all necessary shareholder and regulatory approvals required by the Corporations Act, ASX Listing Rules or other applicable laws in relation to the Acquisition;
- (b) the Company lodging this Prospectus with the ASIC to complete an offer to raise not less than \$5,000,000 via the issue of Shares at an issue price of \$0.03 per Share and the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and receiving valid acceptances under this Prospectus to the value of not less than \$5,000,000;
- (c) the ASX providing conditional approval for the re-instatement to trading of the Company on settlement of the Acquisition on terms acceptable to the parties of the Acquisition Agreement; and
- (d) all Burke County Vendors delivering to the Company signed restriction agreements relating to all the Consideration Shares, issued as consideration, in accordance with the ASX Listing Rules (to the extent that ASX requires those securities to be escrowed),

(each a **Condition**, collectively the **Conditions**).

In the event that:

- (a) the Acquisition Agreement is terminated for any reason; or
- (b) the Conditions for the Acquisition are not all fulfilled or waived by the parties by 31 May 2020 or such later date as agreed in writing between the parties then a party shall have the right to terminate the Acquisition Agreement by giving notice to the other party,

then the Offer will not proceed, and no Shares will be issued pursuant to this Prospectus. If this occurs, the Company will repay all application monies received by it in connection with this Prospectus within the time prescribed under the Corporations Act, without interest.

If the Company's securities have not been reinstated to the Official List by 30 May 2020, ASX will seek to remove the Company from the Official List.

Accordingly, the Offer is conditional on the successful satisfaction of the Conditions. Consequently, no Shares will be issued pursuant to this Prospectus unless all Conditions have been satisfied.

2.4 Shareholder Approval of Acquisition Resolutions

The Company convened the General Meeting for the purpose of seeking the approval of Shareholders to a number of resolutions relevant to implementing the Acquisition as follows:

- (a) a change in the nature or scale of the Company's activities, as required under ASX Listing Rule 11.1.2;
- (b) the consolidation of the Company's Securities on such basis as will result in the Company reducing the number of Shares on issue from 456,239,077 to 45,623,908 (subject to rounding and excluding the Shares and Options to be issued under the Resolutions the subject of the Notice of Meeting);
- (c) the issue of 61,815,367 Consideration Shares to the Burke County Vendors (or their nominees) (on a post-Consolidation basis) as part consideration for the Acquisition, of which 17,661,534 Consideration Shares will be issued to Radian Partnership Limited (an entity of which Proposed Director Jason Spittlehouse holds a controlling interest);
- (d) the re-election of Kane Marshall as a Director and election of Jason Spittlehouse as a Director;
- (e) the Company undertaking a capital raising by issuing up to 233,333,333 Shares at an issue price of \$0.03 per Share to raise up to \$7,000,000 with a minimum raising of \$5,000,000 by the issue of 166,666,667 Shares at an issue price of \$0.03 per Share (on a post-Consolidation basis),
- (f) the issue of up to 25,000,000 Shares and 12,500,000 Options on conversion of the Interim Funding Convertible Notes;
- (g) the issue of 30,000,000 Advisor Shares to CPS Capital Group Pty Ltd (ACN 088 055 636) (**CPS Capital**) and 12,000,000 Advisor Shares to International Island Group Pty Ltd (ACN 167 586 558) (**IIG**) (or their respective nominees) in part consideration for the provision of lead

management and corporate advisory services (respectively) (on a post-Consolidation basis);

- (h) the issue of 7,000,000 Woodchester Shares and 3,500,000 Woodchester Options to Woodchester Capital Pty Ltd (**Woodchester**) as consideration for the provision of advisory services provided to the Company by Woodchester in relation to the Offer;
- (i) the issue of 13,000,000 Existing Director Shares between Tom Fontaine, Murray Wylie and Kane Marshall (on a post-Consolidation basis); and
- (j) the issue of 6,500,000 Existing Director Options between Tom Fontaine, Murray Wylie and Kane Marshall (on a post-Consolidation basis),

(each, an **Acquisition Resolution**, together the **Acquisition Resolutions**).

The Company confirms that all Acquisition Resolutions passed at its General meeting, held on 6 April 2020, satisfying Condition 2.3(a).

Accordingly, the Offer is now conditional on the successful completion of the remainder of the Conditions set out in Section 2.3.

2.5 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. It is important that investors read this Prospectus in its entirety and seek professional advice where necessary.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No action has been taken to register or qualify the Securities or the Offer or to otherwise permit a public offering of the Securities in any jurisdiction outside Australia. This Prospectus has been prepared for publication in Australia and may not be released or distributed in the United States of America.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

2.6 Website – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.hawkeyoilandgas.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may

obtain a hard copy of this Prospectus free of charge by contacting the Company by phone on +61 8 9226 3211 during office hours or by emailing the Company at information@hawkleyoilandgas.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.7 ASX Waivers

2.7.1 ASX Listing Rules 1.1 (Condition 12) and 2.1 (Condition 2)

ASX Listing Rule 1.1 (Condition 12) provides that if an entity has options on issue the exercise price for each underlying security must be at least \$0.20 in cash. ASX Listing Rules 2.1 (Condition 2) provides that the issue price or sale price of all the securities for which an entity seeks quotation (except options) must be at least \$0.20 in cash.

The Company has been granted a waiver from the requirements of Listing Rule 2.1 (Condition 2) to enable it to issue Shares at an issue price less than \$0.20 per Share on the following conditions:

- (a) the issue price of the Shares under the Offer is not less than \$0.02 per Share;
- (b) the terms of the waiver are disclosed to the market and, along with the conditions of the Shares the subject of the Offer, are clearly disclosed in the Notice of Meeting pursuant to which the Company will seek the approval required under Listing Rule 11.1.2 for the Acquisition and in this Prospectus;
- (c) Shareholders approve the issue price of the Shares under the Offer in conjunction with the approval obtained under Listing Rule 11.1.2 in respect of the Acquisition; and
- (d) the Company completes a consolidation of its capital structure in conjunction with the Acquisition such that its securities are consolidated at a ratio that will be sufficient, based on the lowest price at which the Company's securities traded over the 20 trading days preceding the date of the announcement of the Acquisition, to achieve a market value for its securities of not less than \$0.02 each.

The Company has also been granted a waiver from Listing Rule 1.1 (Condition 12) to the extent necessary to permit the Company to issue Options with an exercise price below \$0.20.

2.7.2 ASX Listing Rule 10.13.5

In relation to the issue date for the Existing Director Shares, the Existing Director Options and the 17,661,534 Consideration Shares to be issued to Radian Partnership Limited, the Company has been granted a waiver from ASX Listing Rule 10.13.5 so that the abovementioned Securities may be issued no more than three months after the date of the General Meeting (rather than the standard one month requirement).

2.8 Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for Securities under this Prospectus.

2.9 Website

No document or information included on the Company's website is incorporated by reference into this Prospectus.

2.10 Forwarding-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'considers', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward-looking statements are subject to various risk factors that could cause the Company's actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Part C of Section 5 and in Section 9.

2.11 Diagrams

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

2.12 Defined terms

Unless the contrary intention appears, or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 15.

2.13 Time

All references to time in this Prospectus are references to Australian Western Standard Time.

2.14 Risks

You should read this document in its entirety and, if in any doubt, consult your professional advisers before deciding whether to apply for Shares offered under this Prospectus. There are risks associated with an investment in the Company and the Shares offered under this Prospectus must be regarded as a speculative investment. The Shares offered under this Prospectus carry no guarantee with respect to return on capital investment, payment of dividends or the future value of the Shares. Refer to Part C of Section 5 and Section 9 for details relating to risk factors.

2.15 Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay. Should you have any questions about the Offer or how to accept the Offer, please call the Company Secretary on +61 8 9226 3211 or email information@hawkleyoilandgas.com.

3. KEY OFFER INFORMATION

Indicative Timetable

Despatch of Notice of General Meeting	28 February 2020
Lodgement of Prospectus with the ASIC	6 April 2020
Opening Date of the Offer	6 April 2020
General Meeting to approve Acquisition Resolutions	6 April 2020
Closing Date of the Offer [^]	Week commencing 4 May 2020
Issue of Shares under the Offer	Week commencing 11 May 2020
Re-quotation of Shares (including Shares issued under the Offer) on the ASX	Week commencing 25 May 2020

** The above dates are indicative only and may change without notice. The Company reserves the right to extend the closing dates of the Offer or close the Offer early without prior notice. The Company also reserves the right not to proceed with any of the Offer at any time before the issue of Shares to Applicants.*

[^] This date is only a good faith estimate by the Directors and may have to be extended.

4. MANAGING DIRECTOR'S LETTER

Dear Investor,

We are pleased to offer you this opportunity to participate in the offer of up to 233,333,333 Shares (on a post-Consolidation basis) at an issue price of \$0.03 per Share to raise up to \$7,000,000 (before costs) (**Offer**). The Offer is subject to a minimum subscription of \$5,000,000. Eligible Shareholders will also receive a priority entitlement to subscribe for up to 20,000,000 Shares under the Offer. Details of the Offer are outlined in Section 6.

Hawkley Oil and Gas Limited (**Hawkley**, the **Company**, or **HOG**) is an Australian public company listed on the Official List of the ASX (ASX: HOG). The Company was incorporated on 10 August 2005 and was admitted to the Official List of ASX on 2 May 2006, and was reinstated to Official Quotation of the ASX as Hawkley on 29 June 2010.

As announced on 25 October 2019, the Company has entered into a sale and purchase agreement (**Acquisition Agreement**) with the Burke County Vendors, a group of American companies and individuals to acquire operatorship and an approximate 33% interest in an oil and gas project (**Project**) in Burke County, North Dakota (**Acquisition**). Further details of the Acquisition Agreement entered with the Burke County Vendors is set out in Section 12.1. An overview of the Company and its Project is set out in Section 7.1.

The acquisition of the interest in the Project will constitute a significant change in the nature and scale of the Company's activities, and as such, the Company is required by ASX to obtain Shareholder approval for the Acquisition and re-comply with Chapters 1 and 2 of the ASX Listing Rules as though it were seeking initial admission to the Official List of ASX. Please refer to Section 2.2 for further details. The Company confirms that Shareholder approval for all Acquisition Resolutions, including the change to the nature and scale of the Company's activities was received at the General Meeting held earlier today.

This Prospectus contains important information regarding the Offer, the financial position, operations, management team and future plans of the Company; and the proposed new Directors of the Company who have the skills and experience to lead the Company forward following the Acquisition. The key risks associated with an investment in the Company are set out in Section 9 and should be considered by investors in detail.

We encourage you to read this Prospectus thoroughly and carefully before making any investment decision and consult with your independent professional adviser in connection with the Offer.

If you wish to apply for Shares, we encourage you to consider applying early. The Directors reserve the right to close the Offer early once fully subscribed. We are excited about the new direction offered by the acquisition of the Project from the Burke County Vendors and the growth which we expect to be generated from it.

Yours sincerely,

Tom Fontaine
Managing Director
HAWKLEY OIL AND GAS LIMITED

5. INVESTMENT OVERVIEW

This Section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. This Prospectus should be read and considered in its entirety.

Item	Summary	Further information
A. Company		
Who is the issuer of this Prospectus?	Hawkley Oil and Gas Limited (ACN 115 712 162) (ASX: HOG) (Hawkley or the Company).	Section 7.1
Who is Hawkley?	<p>Hawkley is an Australian public company listed on the Official List of the ASX. The Company was incorporated on 10 August 2005 and was admitted to the Official List of ASX on 29 June 2010.</p> <p>Most recently, the Company's activities have consisted of pursuing opportunities in the oil and gas sector.</p> <p>The Company intends on acquiring operatorship and a 33% working interest in the Project from the Burke County Vendors and having its securities reinstated to Official Quotation.</p>	Sections 7.1 and 7.7
How will the Acquisition be implemented?	At the Company's General Meeting held on 6 April 2020, the Company received Shareholder approval for the change in the nature and scale of its activities, as well as approval for the other Acquisition Resolutions.	Sections 2.4 and 7.1
B. Business Model		
What is the Company's business model?	<p>Following settlement of the Acquisition and completion of the Offer, the Company's proposed business model will be to:</p> <ul style="list-style-type: none"> (a) successfully complete the Acquisition; (b) assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules; (c) provide funds for the Company to carry out development works including workovers of existing wells and drilling a new well at the Project; (d) provide funds for the Company to potentially develop the saltwater disposal system set out at Section 7.7 (provided that the Company achieves Maximum Subscription); (e) continue to pursue other acquisitions that have a strategic fit for the Company; 	Sections 6.2, 6.3 and 7.7

Item	Summary	Further information
	<p>(f) establish a wholly owned subsidiary in the United States in order to assist the Company achieve its main objectives;</p> <p>(g) implement a growth strategy to seek out further exploration and acquisition opportunities; and</p> <p>(h) provide the Company with working capital and fund the expenses of the Offer.</p> <p>The Company proposes to fund its exploration and development activities over the next 24 months as outlined in the table at Section 6.3.</p>	
What are the key dependencies of the Company's business model?	<p>The key dependencies of the Company's business model include:</p> <p>(a) the successful settlement of the Acquisition;</p> <p>(b) the successful completion of the Capital Raising;</p> <p>(c) the Company's capacity to re-comply with Chapters 1 and 2 of the ASX Listing Rules to enable re-admission to quotation of the Company's Securities;</p> <p>(d) retaining and recruiting key personnel skilled in the oil and gas and sector;</p> <p>(e) maintaining title to the Project;</p> <p>(f) successfully increasing oil and gas production on the Project through drilling new wells and conducting workovers of existing wells and successful exploration and development of any other project interests that the Company may acquire in the future; and</p> <p>(g) raising sufficient funds to further explore and develop potential opportunities on the Project and any other project interests that the Company may acquire in the future.</p>	Section 7.11
C. Key Risks		
What are the key risks of an investment in HOG?	The business, assets and operations of the Company, including following re-admission to the Official List, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact	Section 9

Item	Summary	Further information
	<p>on the value of an investment in the Shares of the Company.</p> <p>These risks include a variety of Company, industry specific and general risks, including that</p> <p>(a) the Company is subject to oil and gas exploration and production risks particular to the United States of America;</p> <p>(b) the Company is subject to customary risks associated with an oil and gas company, such as the volatility of commodity prices and exchange rates, production levels, operation and development costs and risks with respect to the holding of exploration tenure.</p> <p>The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which it can effectively manage them is limited.</p> <p>Based on the information available, a non-exhaustive list of the specific key risk factors affecting the Company are disclosed at Section 9.</p>	
D. Directors		
Who are the Directors?	<p>Prior to re-listing on the ASX and subject to settlement of the Acquisition, the Board of the Company will consist of:</p> <p>(a) Tom Fontaine – Managing Director;</p> <p>(b) Kane Marshall – Non-Executive Director; and</p> <p>(c) Jason Spittlehouse – Non-Executive Director.</p> <p>The profiles of each of the Directors and Proposed Director are set out in Section 10.1.</p>	Section 10
What benefits are being paid to Directors and others connected to the Offer?	<p>For each of the Directors and Proposed Director, their annual remuneration together with their relevant interest (direct and indirect) in the securities of the Company as at the date of this Prospectus are set out in Section 10.2.</p>	Section 10.2
What services contracts have been entered into with the	<p>The Company's policy in respect of related party arrangements is:</p> <p>(a) a Director with a material personal interest in a matter is required to give notice to the other Directors before</p>	Section 10.3

Item	Summary	Further information
Directors or other related parties?	<p>such a matter is considered by the Board; and</p> <p>(b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.</p> <p>Details of the letters of appointment and services agreements that the Company has entered into with its Directors are set out at Sections 10.4 and 10.5.</p>	
E. Financial Information		
What is the Company's financial position?	<p>An Independent Limited Assurance Report is included in Section 8.</p> <p>The Board is satisfied that upon completion of the Offer, the Company will have adequate working capital to meet its stated objectives.</p>	Sections 6.3 and 8
How has HOG been performing?	A review of the Company's audited accounts from 30 June 2017 to 31 December 2019 are set out in the Independent Limited Assurance Report at Section 8.	Section 8
What is the financial outlook for HOG?	<p>The reviewed pro-forma statement of financial position for the Company as at 30 June 2020 (which assumes settlement of the Acquisition) is set out in the Independent Limited Assurance Report at Section 8.</p> <p>Given the current status of the Company, the Directors do not consider it appropriate to forecast future earnings. Any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection on a reasonable basis.</p>	Sections 8 and 13.11
Does HOG have sufficient funds for its activities?	The Board believes that the money raised under the Offer and existing cash reserves will provide the Company with sufficient working capital to progress the business as set out in this Prospectus.	Section 6.3
F. Offer		
What is the purpose of the Offer?	<p>The primary purpose of the Offer is to:</p> <p>(a) successfully complete the Acquisition;</p> <p>(b) assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules (see Section 2.2 for further details);</p>	Sections 6.2, 6.3 and 12

Item	Summary	Further information
	<p>(c) provide the Company with additional funding to continue its operations, particularly with respect to the Project;</p> <p>(d) continue to pursue other acquisitions that have a strategic fit for the Company;</p> <p>(e) implement a growth strategy to seek out further exploration and acquisition opportunities; and</p> <p>(f) provide the Company with sufficient working capital and fund the expenses of the Offer.</p> <p>The Company intends on applying the funds raised under the Offer in the manner detailed in Section 6.3.</p>	
Is the Offer underwritten?	The Offer is not underwritten.	Section 6.1
What is being offered and who is entitled to participate in the Offer?	<p>The Company is offering a minimum of 166,666,667 Shares at an issue price of \$0.03 per Share to raise a minimum of \$5,000,000 and up to a maximum of 233,333,333 Shares at an issue price of \$0.03 per Share to raise up to \$7,000,000 (Offer).</p> <p>The Offer comprises:</p> <p>(a) a priority offer to Eligible Shareholders of the Company as at the Record Date (Priority Offer); and</p> <p>(b) an offer to the general public (Public Offer).</p> <p>Under the Priority Offer, up to 20,000,000 Shares have been set aside for Eligible Shareholders. Eligible Shareholders will be allocated Shares under the Priority Offer at the discretion of the Company.</p> <p>If the Company receives Applications from Eligible Shareholders for more than 20,000,000 Shares, the Company intends to treat such additional Applications under the Priority Offer as being made under the Public Offer, subject to such additional Applications satisfying the minimum application size of 66,667 Shares as required under the Public Offer.</p> <p>Only residents of Australia or New Zealand may participate in the Offer.</p>	Sections 6.1
Will there be a lead manager to the Offer?	The Company has engaged CPS Capital Group Pty Ltd (CPS Capital) to act as Lead Manager in relation to the Capital Raising. In consideration for acting as Lead Manager, CPS Capital will receive:	Section 12.4

Item	Summary	Further information
	<p>(a) a management fee of 6%, plus GST for funds raised by CPS Capital under the Capital Raising;</p> <p>(b) a management fee of 1%, plus GST for funds raised by other parties under the Capital Raising; and</p> <p>(c) up to 30,000,000 Shares.</p> <p>Upon completion of the Capital Raising and re-compliance with Chapters 1 and 2 of the Listing Rules, CPS Capital will receive a monthly Corporate Advisory fee of \$8,000 plus GST, per month for a minimum term of 12 months.</p> <p>Refer to Section 12.4(b) for further details of the fees payable to the Lead Manager for its services.</p>	
What will HOG's capital structure look like after completion of the Offer and the Acquisition?	Refer to Section 6.4 for a pro forma capital structure following settlement of the Acquisition.	Section 6.4
Will I be guaranteed a minimum allocation under the Offer?	<p>No, the Company is not in a position to guarantee a minimum allocation of Shares under the Offer.</p> <p>Shares will be issued under the Offer in accordance with the allocation policy set out in Section 6.8.</p> <p>Under the Priority Offer, up to 20,000,000 Shares have been set aside for Eligible Shareholders. Eligible Shareholders will be allocated Shares under the Priority Offer at the discretion of the Company. If the Company receives Applications from Eligible Shareholders for more than 20,000,000 Shares, the Company intends to treat such additional Applications under the Priority Offer as being made under the Public Offer, subject to such additional Applications satisfying the minimum application size of 66,667 Shares as required under the Public Offer.</p>	Sections 6.1 and 6.8
What are the terms of the Securities offered under this Prospectus?	Summaries of the material rights and liabilities attaching to the Securities offered under the Offer are set out in Sections 13.2 to 13.3	Sections 13.2 to 13.3
Will any Securities be	The Shares issued pursuant to the Offer will not be classified as restricted securities and will not be required to be held in escrow.	Sections 6.1 and 6.10 to 6.11

Item	Summary	Further information
subject to escrow?	<p>However, the Securities issued:</p> <ul style="list-style-type: none"> (a) in accordance with the Acquisition Agreement; (b) to CPS Capital, IIG and Woodchester for the provision of advisory services in relation to the Offer; and (c) to Tom Fontaine, Murray Wylie and Kane Marshall, <p>may be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. Additionally, a portion of the Securities issued on conversion of the Interim Funding Convertible Notes will likely be classified as restricted securities and be required to be held in escrow for up to 12 months from the date of their issue.</p> <p>During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.</p> <p>The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).</p> <p>The Company confirms its 'free float', being the percentage of Shares not subject to escrow and held by Shareholders that are not related parties of the Company (or their associates) at the time of admission to the Official List will be not less than 20% in compliance with ASX Listing Rule 1.1 Condition 7.</p>	
Will the Shares be quoted?	Application for quotation of all Shares to be issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus.	Section 6.9
What are the key dates of the Offer?	The key dates of the Offer are set out in the indicative timetable in Section 3.	Section 3
What is the minimum investment size under the Offer?	Applications under the Offer must be for a minimum of \$2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of \$200 worth of Shares (6,667 Shares).	Section 6.1(c)
Are there any conditions to the Offer?	The Offer is conditional on those items set out in Section 2.3.	Section 2.3

Item	Summary	Further information
	The Offer will only proceed if all the Conditions are satisfied.	
G. Use of proceeds		
How will the proceeds of the Offer be used?	<p>Following settlement of the Acquisition, the Company intends to apply funds raised from the Offer to:</p> <ul style="list-style-type: none"> (a) conduct workovers of existing wells, drill a new well and pursue development of a Saltwater Disposal System at the Project (provided that the Company achieves Maximum Subscription); (b) assist HOG to meet the re-admission requirements of ASX under Chapters 1 and 2; (c) provide HOG with working capital; and (d) fund the costs of the Offer. <p>The Company intends on applying the funds raised under the Offer in the manner detailed in Section 6.3.</p>	Section 6.3 and 13.7
H. Additional information		
Is there any brokerage, commission or duty payable by Applicants?	No brokerage, commission or duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 2.3
What are the tax implications of investing in Shares?	<p>Holders of Shares may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of Shares subscribed for under this Prospectus.</p> <p>The tax consequences of any investment in Shares depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to subscribe for Shares offered under this Prospectus.</p>	Section 6.6
Where can I find more information?	<ul style="list-style-type: none"> • By speaking to your sharebroker, solicitor, accountant or other independent professional adviser. • By reviewing HOG's public announcements, which are accessible from ASX's website at www.asx.com.au under the ASX code "HOG". • By visiting the Company's website at www.hawkleyoilandgas.com. 	

Item	Summary	Further information
	<ul style="list-style-type: none"> • By contacting Murray Wylie, HOG's Company Secretary, on +61 8 9226 3211 or by email to information@hawkleyoilandgas.com. • By contacting the Share Registry on 1300 288 664 (within Australia) or +61 (0) 2 9698 5414 (International). 	

6. DETAILS OF THE OFFER

6.1 The Offer

Pursuant to this Prospectus, the Company offers a minimum of 166,666,667 Shares at an issue price of \$0.03 per Share to raise a minimum of \$5,000,000 (**Minimum Subscription**).

The Company may accept oversubscriptions of up to a further 66,666,666 Shares at an issue price of \$0.03 per Share under the Offer. The maximum amount which may be raised under this Prospectus is therefore \$7,000,000 (**Maximum Subscription**).

The Offer comprises:

- **Priority Offer** – a priority offer to Eligible Shareholders; and
- **Public Offer** – an offer to the general public.

In addition to the Offer, the Company is also offering 1,000 Shares at an issue price of \$0.03 per Share (**Cleansing Offer Shares**) to raise \$30 (**Cleansing Offer** and, together with the Offer, the **Offers**). The purpose of the Cleansing Offer is to remove any secondary sale trading restrictions which would otherwise apply to the Shares and Options to be issued at the same time as the Shares to be issued under the Offer, pursuant to section 708A(11) of the Corporations Act.

The Shares offered under the Offer will rank equally with the existing Shares on issue (on a post-Consolidation basis). Refer to Section 13.2 for a summary of the terms of the Shares.

(a) **Minimum Subscription**

The Minimum Subscription for the Offer is \$5,000,000.

If the minimum subscription has not been raised within three months after the date of this Prospectus, the Offer will not proceed, and no securities will be issued pursuant to this Prospectus. If this occurs, the Company will repay all application monies received by it in connection with this Prospectus within the time prescribed under the Corporations Act, without interest.

(b) **Not underwritten**

The Offer is not underwritten.

(c) **Minimum application amount**

Applications under the Offer must be for a minimum of \$2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of \$200 worth of Shares (6,667 Shares).

(d) **Eligible participants**

To participate in the Offer, you must be a resident of Australia or New Zealand. See Sections 6.13 and 6.14 for further details.

To participate in the Priority Offer, you must be an Eligible Shareholder at the Record Date.

The Company is not in a position to guarantee a minimum allocation of Shares under the Offer. See Section 6.8 for further details.

(e) **Quotation and trading**

Application for quotation of the Shares issued under the Offer will be made to ASX no later than 7 days after the date of this Prospectus. See Section 6.9 for further details.

No Shares issued pursuant to the Offer will be subject to any escrow requirements by the ASX.

(f) **Maximum Amount of Shares**

Based on the capital structure of the Company as at the date of this Prospectus, if the Offer proceeds, a maximum of 233,333,333 post-Consolidation Shares will be issued pursuant to the Offer (refer to capital structure at Section 6.4).

(g) **Offer subject to Conditions**

The Offer is subject to and conditional upon the satisfaction of the Conditions outlined in Section 2.3. In the event the Conditions are not satisfied, the Offer will not proceed, and no Shares will be issued pursuant to this Prospectus. As set out in 6.1(a) above, if this occurs, the Company will repay all application monies received by it in connection with this Prospectus within the time prescribed under the Corporations Act, without interest.

6.2 Purpose of the Offer

The primary purpose of the Offer is to:

- (a) successfully complete the Acquisition;
- (b) assist the Company to meet the re-admission requirements of ASX under Chapters 1 and 2 of the ASX Listing Rules;
- (c) provide funds for the Company to carry out workovers of existing wells and drill a new well at the Project;
- (d) provide funds for the Company to potentially develop the Saltwater Disposal System as set out at Section 7.7 (provided that the Company achieves Maximum Subscription);
- (e) continue to pursue other acquisitions that have a strategic fit for the Company;
- (f) implement a growth strategy to seek out further exploration and acquisition opportunities; and
- (g) provide the Company with working capital and fund the expenses of the Offer.

The Company intends on applying the funds raised under the Offer in the manner detailed in Section 6.3.

6.3 Use of Funds

The Company intends to apply funds raised from the Offer following re-admission to the Official List of the ASX over the next 2 years as follows:

Item	Amount (based on Minimum Subscription) \$	Percentage (%)	Amount (based on Maximum Subscription) \$	Percentage (%)
Existing cash reserves of the Company as at 31 December 2019	35,607	0.67	35,607	0.48
Additional funds raised under Convertible Notes	280,000	5.27	405,000	5.44
Funds raised under the Capital Raising	5,000,000	94.06	7,000,000	94.08
TOTAL¹	5,315,607	100	7,440,607	100
<u>Use of Funds:</u>				
Cash consideration for Acquisition	2,094,017	39.39	2,094,017	28.14
Rehabilitation bond ²	166,667	3.14	166,667	2.24
New vertical well	-	-	1,166,000	15.67
Saltwater disposal system	-	-	583,000	7.84
Existing well recompletion	1,050,000	19.75	1,050,000	14.11
Expenses of the Offer ³	634,573	11.94	766,237	10.30
Settlement of Emco loan ⁴	211,556	3.98	211,556	2.84
Administration Costs ⁵	1,122,000	21.11	1,122,000	15.51
Working capital ⁶	36,794	0.69	249,130	3.88
TOTAL	5,315,607	100	7,440,607	100

Notes:

1. Refer to the Independent Limited Assurance Report in Section 8 for further details.
2. The Rehabilitation bond is a bond of USD100,000 (at a conversion rate of 60 cents) which is a requirement of the Industrial Commission of North Dakota (**Commission**) for any company drilling or operating two or more oil and/or gas wells. The bond shall remain in full force and effect until such time as the operator has fully complied with all requirements set forth by the Commission and the Commission authorises the release of the bond. The Company notes that it will be entitled to receive the bond back when it ceases to be operator, provided that the wells have been transferred to a new operator or they have been plugged, abandoned and rehabilitated to the satisfaction of the Commission.
3. Expenses of the Offer include legal fees (Australia and United States), ASX fees, advisor fees, Investigating Accountant fees, Independent Reserves Consultant Fees, Share Registry Fees and brokerage costs as set out at Section 13.7.
4. Pursuant to the Emco Convertible Loan Agreement set out at Section 12.7, the Company will repay the principal of the loan, as well as the interest that has accrued on the loan as at the Repayment Date of 30 June 2020.

5. Administration costs include, without limitation, general corporate costs such as the provision of contract services to the Company, annual ASX listing fees, Board and executive remuneration, office rent, and ongoing audit and accounting costs.
6. Working capital provides for additional capital to be used toward additional exploration and development following the planned exploration and development programs, as well as investment in new projects not yet identified by the Directors.

The above table is a statement of current intentions as of the date of lodgement of this Prospectus with the ASIC. As with any budget, intervening events and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to alter the way funds are applied on this basis.

Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in Section 9).

The Board believes that the funds raised from the Offer, combined with existing funds, provide the Company with sufficient working capital to progress its business objectives. In addition to the Project, the Company intends to seek out additional projects. However, there is no certainty that any new project acquisition will be completed.

6.4 Capital Structure

Set out below is the indicative capital structure of the Company following completion of the Acquisition and associated Capital Raising. The anticipated capital structure of the Company is only an estimate and is subject to variation.

	Minimum Subscription		Maximum Subscription	
	Shares	Options	Shares	Options
Currently on issue ¹	456,239,077		456,239,077	
Post-Consolidation ¹ (1:10)	45,623,908		45,623,908	
Interim Funding Convertible Notes	18,750,000	9,375,000 ⁵	25,000,000	12,500,000 ⁵
Issued to Burke County Vendors ²	61,815,367	-	61,815,367	-
Advisor Shares ³	42,000,000	-	42,000,000	-
Existing Director Shares	13,000,000 ⁶	6,500,000 ⁷	13,000,000	6,500,000 ⁷
Woodchester Shares	7,000,000 ⁸	3,500,000 ⁸	7,000,000 ⁸	3,500,000 ⁸
Offer ⁴	166,666,667	-	233,333,333	-
Total (post-Consolidation)	354,855,942	19,375,000	427,772,608	22,500,000

Notes:

1. Assuming no other Shares are issued prior to settlement of the Acquisition.
2. Refer to Section 12.1 for terms of the Acquisition Agreement.
3. Comprising 30,000,000 Shares to be issued to CPS Capital for the provision of lead manager services to the Company in relation to the Offer; and 12,000,000 Shares to be issued to IIG for corporate advisory services provided to the Company in relation to the Acquisition. Refer to Sections 12.4 and 12.8.
4. The Company will seek to raise a minimum of \$5,000,000 through the issue of 166,666,667 Shares at \$0.03 per Share, and a maximum raise of \$7,000,000 through the issue of 233,333,333 Shares at \$0.03 per Share.

5. Options exercisable at \$0.05 expiring on 30 June 2023, the terms and conditions of which are set out in Section 13.3.
6. Existing Director Shares to be issued to Tom Fontaine, Murray Wylie, and Kane Marshall.
7. Existing Director Options to be issued to Tom Fontaine, Murray Wylie, and Kane Marshall.
8. Woodchester Shares and Options to be issued to Woodchester as set out at Section 12.5.

6.5 Lead Manager

The Company has appointed CPS Capital Group Pty Ltd (ACN 008 055 636) (**Lead Manager**) as lead manager to the Offer. The fees payable to the Lead Manager were negotiated on an arm's length basis.

The material terms of the engagement are set out in Section 12.4.

6.6 Taxation

The acquisition and disposal of Securities may have tax consequences, which may differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential Applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and/or responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

6.7 Applications

Applications for Shares under the Offer must only be made using the relevant Application Form.

Applicants should note there are two separate Application Forms:

- (a) a Priority Offer Application Form for Eligible Shareholders; and
- (b) a Public Offer Application Form for all other Applicants.

Applications under the Offer must be for a minimum of \$2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of \$200 worth of Shares (6,667 Shares).

By completing an Application Form, you will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Completed Application Forms must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5.00 pm (WST) on the Closing Date**.

Applications under the Offer must be accompanied by payment in full in Australian currency by cheque in accordance with the instructions set out in the Application Form.

For payment by BPAY®, please follow the instructions on the Application Form. You can only make a payment via BPAY® if you are the holder of an account with

an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Application Form but are taken to have made the declarations on that Application Form; and
- (b) if you do not pay for your Application in full, you are deemed to have applied for such whole number of Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 3:00 pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of Shares (only where the amount is \$1.00 or greater) will be refunded. No interest will be paid on any application monies received or refunded.

The Company reserves the right to close the Offer early.

If you require assistance in completing an Application Form, please contact the Share Registry.

Priority Offer Applications

Eligible Shareholders can apply under the Priority Offer. Eligible Shareholders are Shareholders of the Company with a registered address in Australia or New Zealand on the Record Date of Sunday 5 April 2020.

Under the Priority Offer, up to 20,000,000 Shares have been set aside for Eligible Shareholders. Eligible Shareholders will be allocated Shares under the Priority Offer at the discretion of the Company. If the Company receives Applications from Eligible Shareholders for more than 20,000,000 Shares, the Company intends to treat such additional Applications under the Priority Offer as being made under the Public Offer, subject to such additional Applications satisfying the minimum application size of 66,667 Shares as required under the Public Offer. Applications under the Priority Offer must be made using the personalised Priority Offer Application Form accompanying this Prospectus, which contains the details of the Eligible Shareholder.

Applications must be accompanied by payment in full in Australian currency by cheque in accordance with the instructions set out in the Application Form.

Instructions for payment using BPAY® are set out in your Priority Offer Application Form. You should be aware that your own financial institution may impose earlier cut-off times with regard to electronic payments and you should therefore take this into consideration when making payment. It is the responsibility of the Eligible Shareholder to ensure that funds submitted through BPAY® are received by the Closing Date.

Completed Priority Offer Application Forms and accompanying cheques must reach Automic Registry Services at the address indicated on the form by the Closing Date.

Applications under the Priority Offer can only be made in the registered name of the Eligible Shareholder set out on the personalised Priority Offer Application Form accompanying this Prospectus. If you wish to apply for Shares under the Offer in

a name other than the Eligible Shareholder, you must apply using a Public Offer Application Form.

Public Offer Applications

Application for Shares under the Public Offer must be made using the Public Offer Application Form.

Applications must be accompanied by payment in full in Australian currency by cheque in accordance with the instructions set out in the Application Form. The BPAY® facility will not be available to the Public Offer Applicants.

Completed Public Offer Application Forms and accompanying cheques must reach Computershare Australia at the address indicated on the form by the Closing Date.

The Company reserves the right to extend the Closing Date or close the Offer early without notice.

To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.

Cleansing Offer Applications

Applications for Shares under the Cleansing Offer should only be made if you are instructed to do so by the Company.

6.8 Issue and allocation of Securities

(a) General

Subject to the satisfaction of all the Conditions (see Section 2.3), the issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date and in accordance with the timetable set out in Section 3.

(b) Allocation Policy

Eligible Shareholders who validly apply under the Priority Offer will be given preference in respect of the allocation of up to 20,000,000 Shares. The allocation of Shares under the Priority Offer will be at the discretion of the Company.

If the Company receives Applications from Eligible Shareholders for more than 20,000,000 Shares, the Company intends to treat such additional Applications under the Priority Offer as being made under the Public Offer, subject to such additional Applications satisfying the minimum application size of 66,667 Shares as required under the Public Offer.

The Company retains an absolute discretion to allocate Shares under the Offer and reserves the right, in its absolute discretion, to issue to an Applicant a lesser number of Shares than the number for which the Applicant applies or to reject an Application Form. If the number of Shares issued is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

No Applicant under the Offer has any assurance of being allocated all or any Shares applied for. The allocation of Shares by the Board will be influenced by the following factors:

- (i) the number of Shares applied for;
- (ii) the overall level of demand for the Offer;
- (iii) the desire for spread of investors, including institutional investors; and
- (iv) the desire for an informed and active market for trading Shares following completion of the Offer.

The Company's decision on the number of Shares to be allocated to an Applicant will be final. The Company will not be liable to any person not allocated Shares or not allocated the full amount applied for.

(c) **Defects in applications**

If an Application Form is not completed correctly or if the accompanying payment is the wrong amount, the Company may, in its discretion, still treat the Application Form to be valid. The Company's decision to treat an application as valid, or how to construe, amend or complete it, will be final.

(d) **Application monies and Interest**

Pending the issue of Securities or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each applicant waives the right to claim interest.

6.9 ASX listing

The Company will apply for Official Quotation of all Shares issued under this Prospectus within 7 days after the date of this Prospectus. However, Applicants should be aware that ASX will not commence Official Quotation of any Shares until the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and has received the approval of ASX to be re-admitted to the Official List. As such, the Shares may not be able to be traded for some time after the Closing Date.

If the Shares are not reinstated to Official Quotation by ASX by 30 May 2020, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

6.10 Restricted Securities

Subject to the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules and completing the Offer, certain Securities on issue (including the Consideration Shares) may be classified by ASX as restricted securities and will be

required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these Securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Shares issued pursuant to the Offer however will not be classified as restricted securities and will not be required to be held in escrow.

The Company will announce to the ASX full details (quantity and duration) of the Securities required to be held in escrow prior to the Company's listed securities being reinstated to trading on ASX (which reinstatement is subject to ASX's discretion and approval).

The Company confirms its 'free float', being the percentage of Shares not subject to escrow and held by Shareholders that are not related parties of the Company (or their associates) at the time of admission to the Official List will be not less than 20% in compliance with ASX Listing Rule 1.1 Condition 7.

6.11 Top 20 Shareholders

The Company will announce to the ASX details of its top 20 Shareholders following the completion of the Offer and prior to the date of re-admission of the Company to the Official List.

6.12 Clearing House Electronic Sub-Register System and Issuer Sponsorship

The Company participates in CHESS. ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHESS. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of Shares can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Shareholders may request a holding statement at any other time, however a charge may be made for such additional statements.

6.13 Applicants outside Australia and New Zealand

This Prospectus does not, and is not intended to, constitute an offer of, or invitation to apply for, Shares in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia or New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia or New Zealand. Applicants who are resident in countries other than Australia or New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed in order to accept the Offer.

If you are outside Australia or New Zealand, it is your responsibility to ensure compliance with all laws of any country relevant to, and obtain all necessary approvals for, the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that there has been no breach of any such laws and all relevant approvals have been obtained.

Where this Prospectus has been dispatched to persons in jurisdictions outside of Australia or New Zealand, in which the securities legislation or regulation requires registration or any analogous treatment, this Prospectus is provided for information purposes only. This Prospectus has not been and will not be registered under any such legislation or regulation or in any such jurisdiction.

The Offer does not and will not constitute an offer of Shares in the United States of America (**US**). Furthermore, no person ordinarily resident in the US is or will become permitted to submit an Application Form. If the Company believes that any Applicant is ordinarily resident in the US, or is acting on behalf of a person or entity that is ordinarily a resident of the US, the Company will reject that Applicant's application.

6.14 New Zealand

The Offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Subpart 6 of Part 9 of the Financial Markets Conduct Act 2013 and Part 9 and Schedule 25 of the Financial Markets Conduct Regulations 2014.

The Offer and the content of this Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the Offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The Offer may involve a currency exchange risk. The currency for the Securities is not New Zealand dollars. The value of the Securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the Securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

If the Securities are able to be traded on a securities market and you wish to trade the Securities through that market, you will have to make arrangements for a participant in that market to sell the Securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the Securities and trading may differ from securities markets that operate in New Zealand.

6.15 Withdrawal of Offers

The Offer may be withdrawn at any time. In this event, the Company will return all application monies without interest and in accordance with applicable laws.

6.16 Enquiries

If you have any queries in relation to the Offer, please contact the Company Secretary on +61 8 9226 3211.

7. COMPANY AND PROJECT OVERVIEW

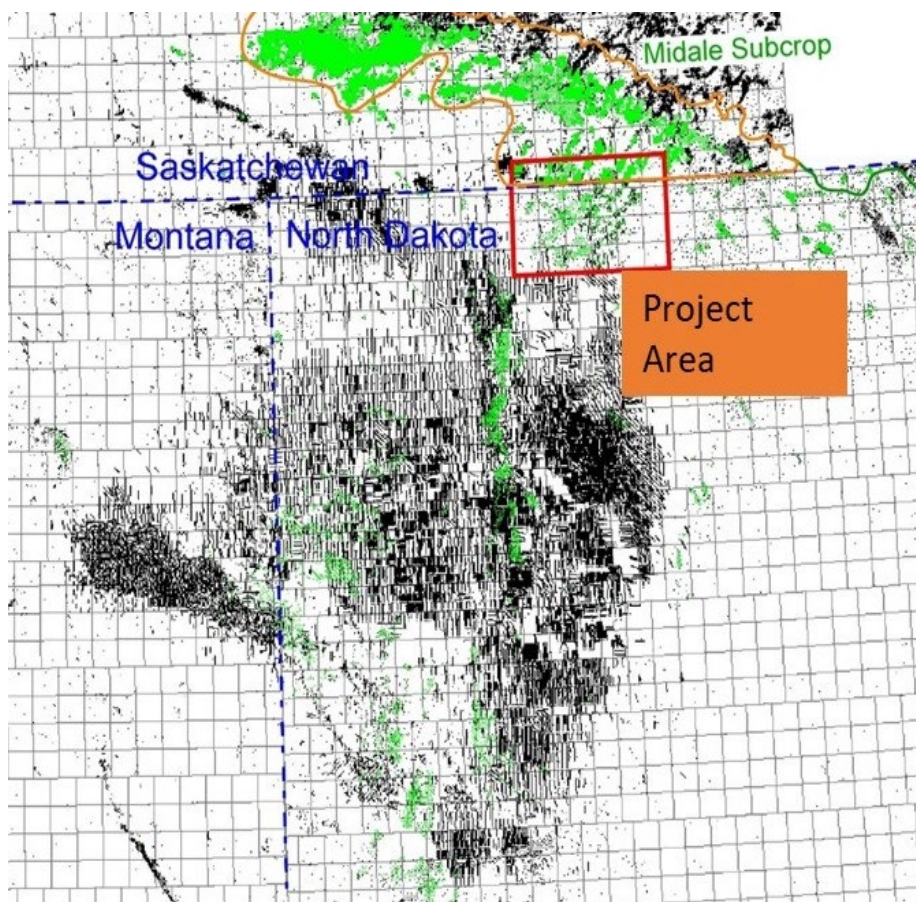
7.1 The Company

Hawkley Oil and Gas Limited is an Australian public company listed on the Official List of the ASX (ASX: HOG). The Company was incorporated on 10 August 2005 and was admitted to the Official List of the ASX on 2 May 2006, and was reinstated to Official Quotation of the ASX as Hawkley on 29 June 2010.

As announced on 25 October 2019, the Company has entered into a sale and purchase agreement with the Burke County Vendors (**Acquisition Agreement**) to acquire operatorship and an approximate 33% working interest in an oil and gas project in Burke County, North Dakota (**Project**) (**Acquisition**). An overview of the Project is set out at Section 7.4 and further details of the Acquisition Agreement are set out in Section 12.1.

The Project comprises of 10 wells and 29 identified horizontal drilling locations situated on 6,600 gross acres located within the Williston Basin in North Dakota, USA where there are presently around 300 producing wells in the area. Refer to Sections 7.5 and 7.7 for overviews of the Williston Basin, and the Project (respectively).

In connection with the Acquisition, the Company will also complete a public offer of a minimum of 166,666,667 Shares at an issue price of \$0.03 per Share to raise a minimum of \$5,000,000 and up to a maximum of 233,333,333 Shares at an issue price of \$0.03 per Share to raise up to \$7,000,000 (**Offer**).



Trading in the Company's Shares is currently suspended and will remain suspended until the Company re-complies with Chapters 1 and 2 of the Listing Rules following completion of the Acquisition. The Acquisition is conditional on the

Company obtaining all necessary regulatory and Shareholder approvals to effect the Acquisition at its upcoming Meeting and satisfying all other requirements of ASX for the reinstatement to Official Quotation of the Company's Shares on ASX (among other things).

ASX has an absolute discretion in deciding whether or not to re-admit the Company to the Official List and to reinstate the Company's Shares to Official Quotation and therefore the Acquisition may not proceed if ASX exercises that discretion.

7.2 Extension to removal from the Official List of the ASX

As set out in Section 2.2.3, the Company was due to be automatically removed from the Official List of the ASX on 3 February 2020 as its securities have been suspended from quotation for a continuous period since 11 May 2017. However, ASX has confirmed that it will extend the Company's removal date to 30 May 2020 provided that it receives Shareholder approval for the Acquisition Resolutions and lodges its re-compliance prospectus with ASIC by no later than 6 April 2020.

The Company confirms that all Acquisition Resolutions were approved by Shareholders at its General Meeting held on 6 April 2020, and that this Prospectus was lodged with ASIC on 6 April 2020. Therefore, provided that the Company has satisfied ASX Listing Rules 11.1.2 and 11.1.3 (including re-compliance with Chapters 1 and 2 of the ASX Listing Rules) and has its securities reinstated to Official Quotation by 30 May 2020, the Company will not be removed from the Official List.

7.3 Burke County Vendors

The Burke County Vendors are a group of American companies and individuals set out in the table below. The Burke County Vendors own a total working interest of approximately 33% of the Project. The Company proposes to acquire all of the Burke County Vendors' interests in the Project (which equates to an approximately 33% working interest) as set out in the table below:

Burke County Vendor	Share of Sale Interest (%)	Proportion of Cash and Consideration Shares (%)
Radian Partnership LP ¹	10.000	28.571
GCC Thurston Energy Limited Partnership	3.125	8.929
Natural Resource Advisors LLC	3.125	8.929
Ralph Curton Jr	3.125	8.929
Thurston Energy Investments 2 LLC	12.5	35.713
VP5 LLC	3.125	8.929
Total	35.000	100%

Note:

1. An entity of which Proposed Director Jason Spittlehouse holds a controlling interest.

7.4 Project Overview

It is the experience and opinion of the Hawkley board that, in order to build a successful oil and gas company, it is important to start with a project that has positive cash flow with a trusted partner in a safe jurisdiction. This approach allows

a company to build a solid base from which it can then add projects that may be considered more speculative, but with the potential to have considerable financial prospects.

With this in mind, Hawkley has entered into the Acquisition to acquire a 33% working interest and operatorship in the Project which comprises 10 horizontal 'birdsfoot' multi-lateral wells and 29 identified drilling locations across 6,600 gross acres.

The Project is a developing oil and gas play in the Williston Basin primarily in Burke County, North Dakota. North Dakota is the second largest oil producing state in the United States (second to Texas). The Midale / Nesson play is a proven light oil and gas resource play targeting Mississippian Midale / Nesson zones with potential for both vertical and horizontal drilling targets at depths ranging from 5000-6000 feet. The Midale / Nesson zone is tight conventional rock that has shown itself to respond very favourably to proven stimulation techniques.

The primary partner in this transaction is a private company, Radian Partnership LP whose controller, Jason Spittlehouse (a Proposed Director) has built a number of successful resource companies. Subject to successful completion of the Acquisition and Shareholder approval at the Meeting, Mr Spittlehouse is expected to join the Board after the company is relisted. He will bring significant experience as a successful explorer and operator, with potential access to additional projects. Through completion of the Acquisition, the Company will also gain access to the services of Radian's production accountant, Rebecca Brown.

The other main partner in this transaction is Thurston Energy, which also has key personnel who will continue to work with the joint venture after completion of the Acquisition. This includes Brad Colby the CEO with over 30 years of oil and gas management and operational experience and Dr John Horn, PhD a geologist with over 40 years experience.

The following table presents Hawkley's net estimated oil and gas reserves, as reported in the Independent Reserves Report at Annexure A of this Prospectus.

Oil & Gas Contingent Resources* (33% Interest)	1C (Low)	2C (Best)	3C (High)
Oil reserves (MBbls)	1,514	2,553	3,592
Gas reserves (MMcf)	2,271	7,020	14,367

* Contingent Resources SPE Definition: Contingent Resources are those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from known accumulations, but which are not currently considered to be commercially recoverable.

The following table presents HOG's net estimated oil and gas Proven Developed Producing Reserves, as reported in the Independent Reserves Report at Annexure A of this Prospectus.

Oil & Gas Reserves (33% Interest)	Oil (MBBL)	NGL (MBBL)	Gas (MMCF)
Proven Developed Producing*	26.8	10.3	36.9

* These are the quantities of petroleum anticipated to be commercially recoverable from known accumulations.

7.5 Williston Basin

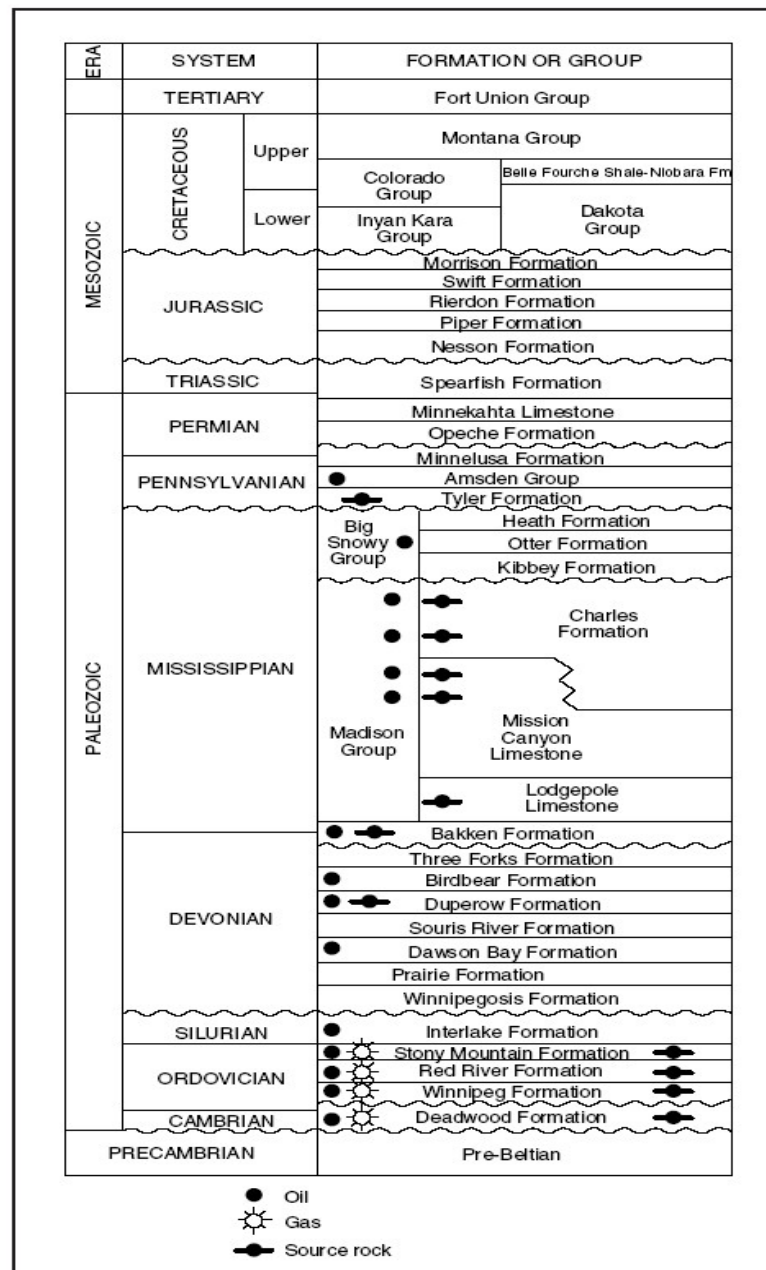
The Williston Basin is a large, prolific petroleum-rich, intra-cratonic sedimentary basin in eastern Montana, western North Dakota, South Dakota, and southern Saskatchewan. The oval-shaped depression extends approximately 750 km north-south and 500 km east-west, (refer to 'Location of Williston Basin Map (USGS)' below).



Location of Williston Basin Map (USGS).

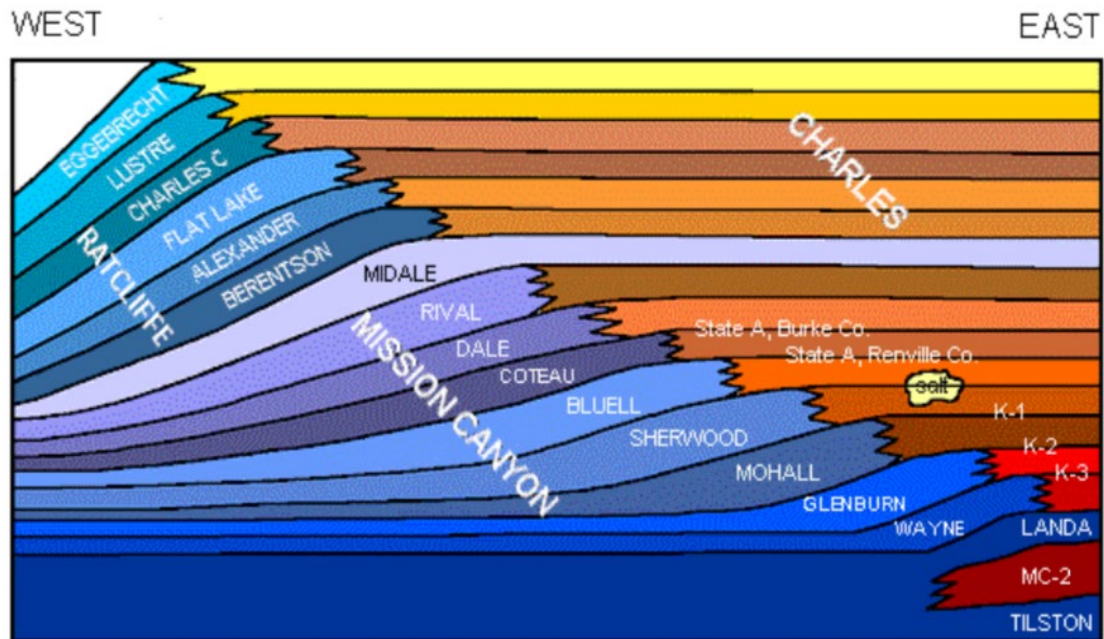
Deposition of sediments began in the Williston area during Cambrian time, with basin filling most intense during the Ordovician, Silurian, and Devonian Periods, when thick accumulations of limestone and dolomite, with lesser thicknesses of sandstones, siltstones, shales, and evaporites occurring. Subsidence continued on a reduced scale into the Mississippian and was largely ended by the Permian.

The history of sedimentary deposition in the Williston Basin included deposition of rocks well suited to serve as hydrocarbon source and reservoir rocks with oil and gas fields found throughout the Palaeozoic era. (Refer to the Williston Basin Stratigraphic Chart below).



Williston Basin Stratigraphic Chart (USGS)

The target formations in our project area are the Midale/Nesson formations of the Madison group, which has been divided into a number of informal, wireline log-defined intervals (refer to 'Facies relationships and nomenclature of the Madison group in the Williston Basin' below).



Facies relationships and nomenclature of the Madison group in the Williston Basin

In the image above, blue colours represent carbonate rocks; while the reds and yellows represent evaporites.

Oil was first found in the Williston Basin almost 100 years ago in south-eastern Montana. This area became a major oil province in the 1950s when large fields were discovered in North Dakota. Exploration commenced in 1946 and by 1954 80% of the basinal area were under lease. Production initially peaked in 1986 and began to decline shortly thereafter. However, with the introduction of horizontal and enhanced stimulation treatments, production rapidly increased to 1.5 million BOPD in North Dakota as at December 2019 and, as of December 2018, cumulative oil production in North Dakota alone was over 4.5 billion barrels in North Dakota alone.

7.6 Burke County, North Dakota Midale / Nesson Play

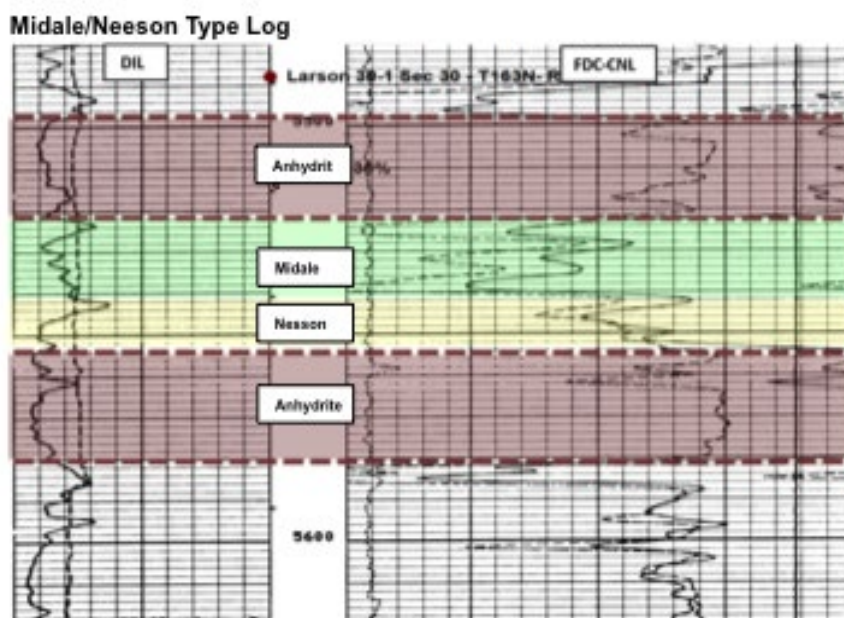
The Midale / Nesson formation has been produced since 1960. The Midale is generally 15 to 20 feet thick with porosity range 15 to 21% and permeability of 0.3 to 0.5. The Nesson is 6 to 10 feet thick with porosity of 8 to 11% and slightly higher permeability. The Midale/Nesson section consists of a light oil (38-40 API) and liquids rich gas. The trapping mechanism is interpreted to consist of an updip subcrop edge, with cores demonstrating that saturated reservoir rock extends downdip for over 460 meters.

In the Project area (Townships 161 – 164 North, Range 89- 92 West), there are in excess of 300 vertical wells drilled and producing in the Midale / Nesson. A review of the well data indicated that most of these vertical wells have not been stimulated. Midale dolomites immediately overlay the Nesson limestones, together defining the reservoir section. This interval is encased in anhydrites creating a natural top and bottom seal which is believed provides containment for injected stimulation fluids.

Over 60 horizontal or multi-lateral wells have been drilled from 2005 - 2008 in the Project area. As with the vertical wells, a review of the individual well files indicates that most of these horizontals and multi-laterals have not been stimulated. The Board believes that stimulation of some of the vertical and horizontal wells in our project area may increase the oil production. Stimulation of

the Paradox 34-31 well within the Project area has already proven to increase oil production, with oil rates increasing from 12 BOPD to 100 BOPD for three months before reducing to 50 BOPD and declining. Other operators in the area have also been successfully increasing oil production rates in the Midale / Nesson zones using stimulation techniques similar to Paradox 34-31.

The Board believe that that 29 potential drilling locations have been identified which could access additional commercial oil within the Project area.



Formation	Average Height (ft)	Average Porosity (5)	Average SW (%)
Midale	15-20	15-21	40-60
Nesson	6-10	8-11	30-50

Midale/Nesson Play Type Section

7.7 The North Dakota Project

The Project presently has 7 (of its 10) wells in production and achieved net operating cash flows of approximately US\$1.15 million in 2018-19 (which would have seen the Company net approximately USD400,000, based on the Company's proposed 33% acquisition interest).

The Company is reviewing a number of options to increase production and reduce operating expenses following completion of the Acquisition. The Company intends to drill and frac one new vertical well. The total estimated cost for this is US\$1 million, with Hawkley's share being US\$350,000. Based on previous wells, the initial production for a new well is anticipated to be 50-100 BOPD, reducing to 50 BOPD after one month then slowly declining.

Hawkley is also proposing to carry out a workover and recompletion of an existing well using a strategy that has already been successfully applied. The total cost for this is estimated at US\$1.8 million, with Hawkley's share being US\$630,000. The process involves casing a preferentially selected one mile lateral in the existing birdsfoot open hole design, then a 20 stage slickwater frac. A similar recompletion

of the Paradox Oil 34-31 well resulted in oil flow increasing to about 100 BOPD for three months before reducing to 50 BOPD then slowly declining as shown below:



Though the Company's primary activities following settlement of the Acquisition will be the exploration of the Project, the Company and the Burke County Vendors are considering the development of a saltwater disposal system at the site of the Project (provided that the Company achieves Maximum Subscription), which involves the installation of a network of infield flowlines to pipe the unwanted underground saltwater (a hazardous waste product which is brought to the surface of the earth during the production of oil and gas) to a disused well for disposal. The implementation of the saltwater disposal system is expected to reduce operating expenditure by approximately US\$8 per barrel. The estimated cost for this is US\$1 million, with Hawkley's share being US\$350,000.

A summary of the material terms and conditions of the Acquisition Agreement is set out in Section 12.1.

7.8 Leveraging strategic relationships

The Board considers that undertaking the Acquisition will allow the Company to achieve value uplift with clear and deliverable synergies.

7.9 Strategy

The Company believes that there are opportunities to successfully increase oil production rates and recovery from the Project areas. The intention is to review the characteristics of the previously successful stimulation operations and try to duplicate or improve these results in the project areas. Radian Partnership (**Radian**) and Thurston Energy (**Thurston**) have considerable technical knowledge regarding previous operations, and they will become shareholders and advisors as part of the Acquisition. Radian and Thurston are also aware of successful stimulation operations from other operators in the area, and we hope to benefit from this information.

7.10 Proposed Exploration Programs and Expenditure

Following completion of the Acquisition, the Company's proposed business model will be to further explore the Project and develop identified oil and gas reserves. The Company's main objectives on completion of the Acquisition are to:

- (a) focus on oil and gas exploration and development opportunities that have the potential to deliver growth for Shareholders;

- (b) continue to pursue other acquisitions that have a strategic fit for the Company;
- (c) establish a wholly owned subsidiary in the United States in order to assist the Company achieve its main objectives;
- (d) implement a growth strategy to seek out further oil and gas exploration and acquisition opportunities in Australia; and
- (e) provide working capital for the Company.

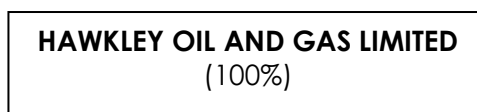
7.11 Key Dependencies of the Business Model

The key factors that the Company will depend on to meet its objectives are:

- (a) the successful settlement of the Acquisition;
- (b) the successful completion of the Capital Raising;
- (c) the Company's capacity to re-comply with Chapters 1 and 2 of the ASX Listing Rules to enable re-admission to quotation of the Company's Securities;
- (d) retaining and recruiting key personnel skilled in the oil and gas sector;
- (e) maintaining title to the Project;
- (f) successfully increasing oil and gas production on the Project through drilling new wells and workovers of existing wells and successfully exploring and developing other project interests that the Company may acquire in the future; and
- (g) raising sufficient funds to further explore and develop potential opportunities on the Project and any other project interests that the Company may acquire in the future.

7.12 Group Structure

A group structure diagram is set out below:



As set out at Section 7.10, the Company intends to establish a wholly owned US subsidiary in order to in assist the Company achieve its main objectives following completion of the Acquisition. However, as at the date of this Prospectus, the Company does not have any subsidiaries or parent companies.

7.13 Growth Strategy

The Company will continue to seek value investments and opportunities in the resources sector to complement its existing business, to maximise shareholder value when the opportunities arise.

Following completion of the Capital Raising and the Acquisition, the Company's proposed business model will be to further explore the Project. The Company intends also implement some efficiencies and marketing initiatives which should

continue to improve the operational and financial performance of the business unit, such as the proposed development of the Saltwater disposal system.

The Company's main objectives will be to:

- (a) increase oil and gas production by carrying out makeovers of existing wells and drilling new wells on the Project;
- (b) pursue development of the saltwater disposal system to reduce production expenses (provided that the Company achieves Maximum Subscription);
- (c) continue to pursue other acquisitions that have a strategic fit for the Company;
- (d) implement a growth strategy to seek out further exploration and acquisition opportunities; and
- (e) provide working capital for the Company.

The funds from the Offer, together with existing cash reserves, will allow the Company to further progress its business model.

7.14 Funding

The funding for the Company for the two years following re-admission to the Official List of ASX will be met by the offer of Shares pursuant to the Offer under this Prospectus, revenue from sales of oil and gas and by the Company's existing cash reserves (see Section 6.3 for further details). As and when further funds are required, either for existing or future developments, the Company will consider both raising additional capital from the issue of Securities and/or from debt funding.

7.15 Dividend Policy

For the Company to progress its objectives set out in Sections 7.10 and 7.13, significant funding is likely to be required and therefore the Company currently has no plans to declare any dividends.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Board and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Board. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.



6 April 2020

The Directors
Hawkley Oil & Gas Limited
Suite 3, Level 3
1292 Hay Street
West Perth, WA, 6005

Dear Directors

INDEPENDENT LIMITED ASSURANCE REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) has been engaged by Hawkley Oil and Gas Limited (**'Hawkley'** or **'the Company'**) to prepare this Independent Limited Assurance Report (**'Report'**) in relation to certain financial information of Hawkley, for inclusion in the Prospectus. Broadly, the Prospectus will offer up to 233,333,333 shares at an issue price of \$0.03 per share to raise up to \$7,000,000 (before costs) (**'the Offer'**). The Offer is subject to a minimum subscription level of 166,666,667 shares at \$0.03 per share to raise \$5,000,000 (before costs).

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) holds an Australian Financial Services Licence (AFS Licence Number 316158) and our Financial Services Guide (**'FSG'**) has been included in this report in the event you are a retail investor. Our FSG provides you with information on how to contact us, our services, remuneration, associations, and relationships.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a limited assurance engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

You have requested BDO to review the following historical financial information (together the **'Historical Financial Information'**) of Hawkley included in the Prospectus:

- the historical Statements of Profit or Loss and Other Comprehensive Income and Statements of Cash Flows for the years ended 30 June 2018 and 30 June 2019;
- the historical Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows for the half year ended 31 December 2019; and
- the historical Statement of Financial Position as at 31 December 2019.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of Hawkley for the years ended 30 June 2018 and 30 June 2019, which was audited by the Company's auditor in accordance with the Australian Auditing Standards. The Historical Financial Information has also been extracted from the financial report of Hawkley for the half year ended 31 December 2019 which was reviewed by the Company's auditor in accordance with the review provisions of the Australian Auditing Standards. The Company's auditor issued an unmodified audit opinion on the financial reports for the year ended 30 June 2018 and 30 June 2019 and an unmodified review opinion on the financial report for the half year ended 31 December 2019. We note that the Company's auditor included emphasis of matters for the years ended 30 June 2018 and 30 June 2019 and the half year ended 31 December 2019, which related to the material uncertainty that existed which may have cast significant doubt on the Company's ability to continue as a going concern.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the '**Pro Forma Historical Financial Information**') of Hawkley included in the Prospectus:

- the pro forma Statement of Financial Position as at 31 December 2019.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Hawkley, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the pro forma date. Due to its nature, the Pro Forma Historical Financial Information does not represent the company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the events or transactions described in Section 6 and Section 7 of this Report on Hawkley's financial position as at 31 December 2019. As part of this process, information about Hawkley's financial position has been extracted by the Company from its reviewed financial statements for the half year ended 31 December 2019.

3. Directors' responsibility

The directors of Hawkley are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

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

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the historical Statements of Profit or Loss and Other Comprehensive Income and Statements of Cash Flows for the years ended 30 June 2018 and 30 June 2019;
- the historical Statement of Profit or Loss and Other Comprehensive Income and Statement of Cash Flows for the half year ended 31 December 2019; and
- the historical Statement of Financial Position as at 31 December 2019

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of Hawkley as at 31 December 2019

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to the period ended 31 December 2019:

- the Company issued interim funding convertible notes with a face value of \$280,000, which are convertible at \$0.02, following a 1:10 share consolidation ('**Consolidation**'), on or before 30 June 2020 ('**Interim Funding Convertible Notes**'). The Company received \$250,000 of cash for the issue of these notes, with the remaining face value being used to settle payables of \$30,000. The conversion right of the Interim Funding

Convertible Notes comes with one free attaching option for every two conversion shares. The option has an exercise price of \$0.05 (post-Consolidation) and an expiry date of 30 June 2023. We note that as at 31 December 2019, the Company had Interim Funding Convertible Notes with a face value of \$95,000 on issue. Therefore, the subsequent adjustment to the pro-forma balance sheet is an increase to cash and cash equivalents of \$250,000, a decrease of trade and other payables of \$30,000 and an increase in financial liabilities of \$280,000;

- Subsequent to 31 December 2019, the Company made cash payments totaling \$20,000 to Woodchester Capital Pty Ltd ('**Woodchester**'), for services provided in relation to the capital raising. As such, these costs have been offset against contributed equity; and
- Loans from Emco Capital of \$200,000 (plus interest) were due and payable on 30 April 2020 (if not converted prior), however on 12 March 2020, the loan was amended to remove the conversion rights and extend the loan repayment date to 30 June 2020. There has been no adjustment to the pro forma statement of financial position to reflect this change in terms of the loan from Emco Capital because the equity component of the note is not material.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief, no other material transaction or event outside of the ordinary business of Hawkley not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 2. This has been prepared based on the financial statements as at 31 December 2019, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- As part of this re-compliance listing, acquisition and capital raising, the Company will undergo a consolidation of its share capital on a one for ten basis ('**Consolidation**'). Unless otherwise stated, all references to numbers or price of shares, or numbers or exercise prices of options, are on a post-Consolidation basis. Following the Consolidation, prior to the share issues contemplated by the Prospectus, the Company has 45,623,908 ordinary shares on issue. There is no financial adjustment to the pro forma statement of financial position as a result of the Consolidation;
- The issue of 166,666,667 share at an offer price of \$0.03 each to raise \$5 million before, based on the minimum subscription and up to 233,333,333 shares at an issue price of \$0.03 per share to raise up to \$7 million under the maximum subscription. The total cash costs of the Offer are estimated to be between \$634,573 and \$766,237 under the minimum and maximum subscriptions respectively. Those costs which relate to the issuing of new shares are to be offset against contributed equity and the remaining costs are expensed through accumulated losses. We note that \$107,000 of these costs have been paid, therefore the pro-forma adjustment relates to those costs that remain to be paid. Under the minimum subscription, costs of the Offer of \$330,588 is offset against contributed equity and the remaining \$196,985 expensed through accumulated losses.

Under the maximum subscription, \$456,420 is offset against contributed equity and \$202,817 is expensed through accumulated losses;

- As set out in Section 6 of this Report, the Company issued Interim Funding Convertible Notes with a face value of \$280,000 subsequent to 31 December 2019. In the event that the maximum subscription amount is reached, the Company will issue additional Interim Funding Convertible Notes with a face value of \$125,000 (**'Additional Interim Funding Convertible Notes'**). The Additional Interim Funding Convertible Notes are convertible on or before 30 June 2020 on the same terms as the Interim Funding Convertible Notes. If the re-compliance listing and capital raisings are completed and the relevant shareholder approvals are obtained, the Interim Funding Convertible Notes and the Additional Interim Funding Convertible Notes (collectively **'the Notes'**) are to be converted to equity. Therefore, in the pro-forma balance sheet, it is assumed that the Notes are converted to equity. The Notes have a conversion price of \$0.02 per share, with the value of the shares deemed to be \$0.03 per share based on the price of the capital raising. As such, there is a financing charge associated with the conversion of the Notes, which is reflected in accumulated losses. This represents the difference between the value of the shares being issued and the balance of the liability being converted;
- Further, on conversion of the Notes, the noteholder will receive one option exercisable at \$0.05 on or before 30 June 2023, for every two shares received on conversion (**'Interim Funding Convertible Note Options'**). This results in between 9,375,000 and 12,500,000 Interim Funding Convertible Note Options being issued on conversion. The Interim Funding Convertible Note Options have been valued using the Black Scholes option pricing model and have been classified as a financing charge which is expensed through accumulated losses and reserves. The expense and the amount going through reserves is \$150,000 under the minimum subscription and \$200,000 under the maximum subscription;
- As announced on 25 October 2019, the Company has entered into a sale and purchase agreement with the Burke County Vendors (as defined in the Prospectus) to acquire operatorship and an approximate 33% working interest in an oil and gas project in Burke County, North Dakota (**'the Project'**). Further details of the Project can be found in Section 7 of the Prospectus. Consideration for the acquisition of the 33% working interest in the Project is cash of US\$1,256,410 (\$2,094,017 converted at a USD/AUD exchange rate of 0.60) and 61,815,367 shares. The acquisition has been accounted for as an asset acquisition, with a summary of the basis for this treatment contained in the asset acquisition note. As such, the acquisition results in pro forma adjustments of an increase in oil and gas properties of \$3,948,478, a decrease in cash of \$2,094,017 and an increase in issued capital of \$1,854,461. The consideration shares issued have been valued at \$0.03 per share, being the capital raising price;
- Further, following the acquisition of the Project, the Company is liable for a rehabilitation bond of US\$100,000 (\$166,667 converted at a USD/AUD exchange rate of 0.60). This has been accounted for as a non-current provision and has been capitalised to oil and gas properties;
- The Company has, subject to shareholder approval, agreed to issue 13 million shares to the Directors of Hawkley for services provided in relation to the Offer and the acquisition. The shares have been valued at \$0.03 per share, being the capital raising price, giving a total value of \$390,000. The value of the shares has been split between expensing through accumulated losses and offsetting against contributed equity. The expensed portion (50%) relates to the services provided in relation to the acquisition with

the remaining 50% being offset against contributed equity as these have been deemed to be issued for services provided directly in relation to the Offer;

- The Company has, subject to shareholder approval, agreed to issue a total of 6.5 million options to Directors, which are exercisable at \$0.05 on or before 30 June 2023 (**‘Existing Director Options’**). The Existing Director Options have been valued at \$104,000 using the Black Scholes option pricing model. The value of the options has been split between expensing through accumulated losses and offsetting against contributed equity (as a cost of the Offer). The expensed portion (50%) relates to the services provided in relation to the acquisition with the remaining 50% being offset against contributed equity as these have been deemed to be issued for services provided directly in relation to the Offer;
- The Company has, subject to shareholder approval, agreed to issue a total of 3.5 million options to Woodchester, which are exercisable at \$0.05 on or before 30 June 2023 (**‘Woodchester Options’**). The Woodchester Options have been valued at \$56,000 using the Black Scholes option pricing model, with the value being reflected in reserves and offset against contributed equity as a cost directly attributable to the capital raising;
- The Company has, subject to shareholder approval, agreed to issue 7 million shares to Woodchester as consideration for corporate advisory services provided in relation to the capital raising. The shares have been valued at \$0.03 per share, based on the capital raising price, for a total value of \$210,000. However, the services provided are deemed to be directly attributable to the capital raising, therefore the value of the shares has been offset against contributed equity. As such, there is a nil net financial impact on the Company’s issued capital;
- The Company has, subject to shareholder approval, agreed to issue 30 million shares to CPS Capital Group Pty Ltd (**‘CPS’**), for lead manager services provided in relation to the Offer. The shares have been valued at \$0.03 per share, based on the capital raising price, for a total value of \$900,000. However, the services provided are deemed to be directly attributable to the capital raising, therefore the value of the shares has been offset against contributed equity. As such, there is a nil net financial impact on the Company’s issued capital; and
- The Company has, subject to shareholder approval, agreed to issue 12 million shares to International Island Group Pty Ltd (or its respective nominees) (**‘IIG’**) as consideration for corporate advisory services provided in relation to the acquisition. The shares have been valued at \$0.03 per share for a total value of \$900,000, which has been reflected in issued capital and expensed through accumulated losses.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed transaction other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained

in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

10. Financial Services Guide

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'Adam Myers', is positioned above the printed name.

Adam Myers

Director

APPENDIX 1

HAWKLEY OIL AND GAS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Statement of Profit or Loss and Other Comprehensive Income	Historical for the half year ended 31-Dec-19 \$	Historical for the year ended 30-Jun-19 \$	Historical for the half year ended 31-Dec-18 \$	Historical for the year ended 30-Jun-18 \$
Other income	7	14,720	254	12,533
Administrative expenses	(178,516)	(221,774)	(124,933)	(233,888)
Interest expenses	(19,107)	(35,234)	(17,381)	(219)
Loss on extinguishment of financial liability	-	(158)	-	-
Gain on modification of financial liability	10,790	-	14,385	-
Gains on foreign currency	9	5	9	80
Loss before income tax	(186,817)	(242,441)	(127,666)	(221,494)
Income tax benefit/(expense)	-	-	-	-
Loss for the period	(186,817)	(242,441)	(127,666)	(221,494)

The Historical Statements of Profit and Loss and Other Comprehensive Income shows the historical financial performance of Hawkley and is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4. Past performance is not a guide to future performance.

APPENDIX 2
HAWKLEY OIL AND GAS LIMITED
PRO-FORMA STATEMENT OF FINANCIAL POSITION

		Hawkley as at 31-Dec-19	Subsequent events	Pro-forma adjustments Min	Pro-forma adjustments Max	Pro-forma after Offer Min	Pro-forma after Offer Max
	Notes	\$	\$	\$	\$	\$	\$
CURRENT ASSETS							
Cash and cash equivalents	2	35,607	230,000	2,378,410	4,371,746	2,644,017	4,637,353
Trade and other receivables		7,425	-	-	-	7,425	7,425
Other assets		13,743	-	-	-	13,743	13,743
TOTAL CURRENT ASSETS		56,775	230,000	2,378,410	4,371,746	2,665,185	4,658,521
NON-CURRENT ASSETS							
Oil and gas properties	3	-	-	4,115,145	4,115,145	4,115,145	4,115,145
TOTAL NON-CURRENT ASSETS		-	-	4,115,145	4,115,145	4,115,145	4,115,145
TOTAL ASSETS		56,775	230,000	6,493,555	8,486,891	6,780,330	8,773,666
CURRENT LIABILITIES							
Trade and other payables	4	314,774	(30,000)	-	-	284,774	284,774
Financial liabilities	5	293,248	280,000	(375,000)	(375,000)	198,248	198,248
TOTAL CURRENT LIABILITIES		608,022	250,000	(375,000)	(375,000)	483,022	483,022
NON-CURRENT LIABILITIES							
Provisions	6	-	-	166,667	166,667	166,667	166,667
TOTAL NON-CURRENT LIABILITIES		-	-	166,667	166,667	166,667	166,667
TOTAL LIABILITIES		608,022	250,000	(208,333)	(208,333)	649,689	649,689
NET ASSETS/LIABILITIES		(551,247)	(20,000)	6,701,888	8,695,224	6,130,641	8,123,977
EQUITY							
Issued capital	7	38,974,788	(20,000)	7,533,373	9,595,041	46,488,161	48,549,829
Reserves	8	4,074,362	-	310,000	360,000	4,384,362	4,434,362
Accumulated losses	9	(43,600,397)	-	(1,141,485)	(1,259,817)	(44,741,882)	(44,860,214)
TOTAL EQUITY		(551,247)	(20,000)	6,701,888	8,695,224	6,130,641	8,123,977

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 3 and the prior year financial information set out in Appendix 4.

APPENDIX 3
HAWKLEY OIL AND GAS LIMITED
NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

a) Basis of Preparation of Historical Financial Information

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

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

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

These financial statements are presented in Australian dollars, rounded to the nearest dollar. Both functional and presentation currency is Australian dollars.

Going Concern

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

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

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

- Loans to a related party of a former Director of \$200,000 plus interest were due and payable on 30 April 2020 if not converted to shares prior to that date. Subsequent to balance date, on 12 March 2020, the loan was amended to remove the conversion rights and extend the loan repayment date to 30 June 2020.
- The Directors and former Directors have agreed not to seek repayment of monies owed or owing to them, totalling \$188,562 as at 31 December 2019, should such repayments place the Company in a position where it would be unable to pay its debts as and when they fall due. An amount of \$71,573 is repayable on 30 June 2020 with remaining amounts not payable until 31 October 2020.

- The Company announced on 24 September 2019 that it had entered into a sale and purchase agreement to acquire an approximately 33% interest and operatorship of a producing oil and gas project in North Dakota, USA.
- Subsequent to the period end and as at the date of signing, the Company had received \$250,000 through the issue of the Interim Funding Convertible Notes with further amounts to be raised as required in advance of the capital raising. In addition, the Company had settled creditors of \$30,000 through issue of convertible notes.
- The Company has called a meeting of shareholders on 6 April 2020 to approve the acquisition and is finalising a prospectus seeking to raise a minimum \$5,000,000 to support recompliance with Chapters 1 and 2 of the ASX Listing Rules and a resumption of trading of its securities on the ASX. In accordance with the notice of general meeting released on 28 February 2020, the Company intends to be re-admitted to Official Quotation before 31 May 2020 in order to successfully complete the transaction.
- The Directors and the Company's brokers are confident that they will be able to raise capital in the current market noting the uncertainty in markets at this time. In addition, that they remain confident that additional funds sufficient to complete the capital raising could be obtained, either through further convertible notes or short-term unsecured loans to be repaid from the capital raising.
- Subsequent to the period end, the Company has also received letter of support from Sobu Energy Pty Ltd, an entity controlled by Managing Director Tom Fontaine, to confirm that funds of up to \$25,000 will be provided to the Company on request.

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

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

b) 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 Company 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 Company controls an investee if and only if the Company 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.

As at the reporting dates, 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. **Other Income**

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

c) Income Tax

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

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

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

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

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

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

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

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

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

The Company has 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.

e) Provisions

Provision for future removal and restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

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. All companies within the group have Australian dollars as their functional currency.

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

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

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

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

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

Exchange differences arising on translation of foreign operations are transferred directly to the Company'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 and other short-term highly liquid investments with original maturities of three months or less.

h) Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Company 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 transaction 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 fair value or amortised cost using the effective interest rate method. 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.

Amortised cost is calculated as:

- the amount at which the financial asset or financial liability is measured at initial recognition;
- less principal repayments;
- 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
- less any reduction for impairment.

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

(i) Receivables

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.

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

(ii) Financial Liabilities

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

Convertible notes are separated into liability and equity components based on the terms of the contract. On issuance of the convertible note, the fair value of the liability component is determined by using a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is

recognised and included in equity. The carrying amount of the conversion option is not remeasured in subsequent years.

De-recognition

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) 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 Company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amount normally paid within 30 days of recognition of the liability.

j) Goods and Services Tax (GST)

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

k) Share-based Payment Transactions

Employees of the Company 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 model.

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.

l) Oil and Gas Properties

Assets in Development

Upon the discovery of extractable hydrocarbons, the oil and gas assets enter the development phase. The costs of oil and gas assets in development are separately accounted for and include the transfer of past exploration and evaluation costs, development drilling and other subsurface expenditure. When the committed development expenditure programs are completed and production commences, these costs are transferred to producing assets and become subject to amortisation.

Producing Assets

Producing projects are stated at cost less accumulated amortisation and impairment charges. Producing projects include construction, installation or completion of production and infrastructure facilities such as pipeline, the transfer of past exploration and evaluation costs and past development costs, the ongoing costs of continuing to develop reserves for production and the provision for restoration.

m) Asset acquisition

AASB 2018-6 Amendments to Definition of a Business amends AASB 3 *Business*

Combinations ('AASB 3') definition of a business. As a result, to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contributes to the ability to create outputs. The new guidance also provides a framework to evaluate when an input and a substantive process are present.

The revisions to AASB 3 also introduced an optional concentration test. If the concentration test is met, the set of activities and assets acquired is determined not to be a business combination and asset acquisition accounting is applied. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Under asset acquisition accounting, the fair value of consideration must be determined based on the date control of the assets is obtained. The fair value is then allocated on a relative basis to the assets and liabilities acquired. No liabilities were acquired in this transaction which require further consideration.

The fair value of the asset acquired lies solely in the oil fields that are being acquired. As a result, the full fair value of consideration will be attributable to the oil and gas properties acquired.

We consider it appropriate to fair value the consideration paid. The transaction is an arm's length transaction between two willing and not anxious buyers and sellers, therefore the consideration paid represents the fair value of the assets acquired.

n) Critical Accounting Estimates and Judgements

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 Company.

The key estimates and assumptions that have a significant risk causing a material adjustment to the carrying amounts of certain assets and liabilities within the next reporting period are:

Valuation of share based payment transactions

The valuation of share-based payment transactions is measured 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 option pricing model taking into account the terms and conditions upon which the instruments were granted.

Convertible Loan

On issuance, the Company measures the convertible loan at the fair value of the liability component which is determined by using a market rate for an equivalent non-convertible instrument. The remainder of the proceeds is allocated to the conversion option that is

recognised and included in equity. Estimating fair value for convertible loans require determination of the appropriate cost of debt (market interest rate).

Future Restoration Costs

The Company estimates the future rehabilitation costs of production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration activities and the future removal technology available and liability specific discount rates to determine the present value of these cash flows.

Reserve Estimates

Estimation of reported recoverable quantities of proven and probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. These factors used to estimate reserves may change from period to period.

Asset acquisition assessment

The determination of whether the acquisition agreement is an asset acquisition or a business combination under the requirements of AASB 3 Business Combinations determines the application of management judgement. Management applied the optional concentration test under AASB 3 which was considered satisfied on the basis that substantially all the fair value of the gross assets acquired were in a concentrated single identifiable asset or group of similar identifiable asset being oil and gas properties. As a result, asset acquisition accounting has been applied. Further details can be found under Note 10.

	Hawkley as at 31-Dec-19	Pro-forma after Offer Min	Pro-forma after Offer Max
NOTE 2. CASH AND CASH EQUIVALENTS	\$	\$	\$
Cash and cash equivalents	35,607	2,644,017	4,637,353
<i>Adjustments to arise at the pro-forma balance:</i>			
Balance of Hawkley at 31-Dec-19		35,607	35,607
		35,607	35,607
<i>Subsequent events:</i>			
Funds raised from issue of Interim Funding Convertible Note		250,000	250,000
Payments to Woodchester for corporate advisory services provided in relation to the capital raising		(20,000)	(20,000)
		230,000	230,000
<i>Pro-forma adjustments:</i>			
Proceeds from shares issued under this Prospectus		5,000,000	7,000,000
Capital raising costs		(527,573)	(659,237)
Cash consideration to be paid in relation to the Acquisition		(2,094,017)	(2,094,017)
Additional Interim Funding Convertible Note based on maximum raising		-	125,000
		2,378,410	4,371,746
Pro-forma Balance		2,644,017	4,637,353

	Hawkley as at 31-Dec-19	Pro-forma after Offer
NOTE 3. OIL AND GAS PROPERTIES	\$	\$
Oil and gas properties	-	4,115,145
<i>Adjustments to arise at the pro-forma balance:</i>		
Balance of Hawkley at 31-Dec-19		-
		-
<i>Pro-forma adjustments:</i>		
Acquisition of a 33% working interest in the Project		3,948,478
Rehabilitation bond		166,667
		4,115,145
Pro-forma Balance		4,115,145

	Hawkley as at 31-Dec-19	Pro-forma after Offer
NOTE 4. TRADE AND OTHER PAYABLES	\$	\$
Trade and other payables	314,774	284,774
<i>Adjustments to arise at the pro-forma balance:</i>		
Balance of Hawkley at 31-Dec-19		314,774
		314,774
<i>Subsequent events:</i>		
Issue of Interim Funding Convertible Notes netting off creditors		(30,000)
		(30,000)
Pro-forma Balance		284,774

	Hawkley as at 31-Dec-19	Pro-forma after Offer Min	Pro-forma after Offer Max
NOTE 5. FINANCIAL LIABILITIES	\$	\$	\$
Financial liabilities	293,248	198,248	198,248
<i>Adjustments to arise at the pro-forma balance:</i>			
Balance of Hawkley at 31-Dec-19		293,248	293,248
		293,248	293,248
<i>Subsequent events:</i>			
Issue of Interim Funding Convertible Notes		280,000	280,000
		280,000	280,000
<i>Pro-forma adjustments:</i>			
Conversion of Interim Funding Convertible Notes		(375,000)	(375,000)
		(375,000)	(375,000)
Pro-forma Balance		198,248	198,248

	Hawkley as at 31-Dec-19	Pro-forma after Offer
NOTE 6. PROVISIONS	\$	\$
Provisions	-	166,667
<i>Adjustments to arise at the pro-forma balance:</i>		
Balance of Hawkley at 31-Dec-19		-
		-
<i>Pro-forma adjustments:</i>		
Rehabilitation bond		166,667
		166,667
Pro-forma Balance		166,667

		Hawkley as at 31-Dec-19	Pro-forma after Offer Min	Pro-forma after Offer Max
NOTE 7. ISSUED CAPITAL		\$	\$	\$
Issued capital		38,974,788	46,488,161	48,549,829
	Number of shares (min)	Number of shares (max)	\$	\$
<i>Adjustments to arise at the pro-forma balance:</i>				
Fully paid ordinary share capital of Hawkley at 31-Dec-19	456,239,077	456,239,077	38,974,788	38,974,788
	456,239,077	456,239,077	38,974,788	38,974,788
<i>Subsequent events:</i>				
Payment to Woodchester for corporate advisory services provided in relation to the capital raising	-	-	(20,000)	(20,000)
	-	-	(20,000)	(20,000)
<i>Pro-forma adjustments:</i>				
Share capital consolidation on a 1:10 basis	45,623,908	45,623,908	-	-
Shares issued under the Offer	166,666,667	233,333,333	5,000,000	7,000,000
Costs of the Offer	-	-	(330,588)	(456,420)
Issue of consideration Shares to Burke County Vendors	61,815,367	61,815,367	1,854,461	1,854,461
Issue of Existing Director Shares	13,000,000	13,000,000	195,000	195,000
Issue of Existing Director Options for services provided in relation to the Offer	-	-	(52,000)	(52,000)
Issue of Lead Manager Shares to CPS Capital	30,000,000	30,000,000	-	-
Issue of shares to IIG as consideration for corporate advisory services	12,000,000	12,000,000	360,000	360,000
Issue of shares to Woodchester as consideration for advisory services in relation to the capital raising	7,000,000	7,000,000	-	-
Issue of Woodchester Options as consideration for advisory services in relation to the capital raising	-	-	(56,000)	(56,000)
Issue of shares on conversion of Interim Funding Convertible Notes	18,750,000	18,750,000	562,500	562,500
Issue of shares on conversion of Additional Interim Funding Convertible Notes	-	6,250,000	-	187,500
	354,855,942	427,772,608	7,533,373	9,595,041
Pro-forma Balance	354,855,942	427,772,608	46,488,161	48,549,829

	Hawkley as at 31-Dec-19 \$	Pro-forma after Offer Min \$	Pro-forma after Offer Max \$
NOTE 8. RESERVES			
Reserves	4,074,362	4,384,362	4,434,362
<i>Adjustments to arise at the pro-forma balance:</i>			
Balance of Hawkley at 31-Dec-19		4,074,362	4,074,362
		4,074,362	4,074,362
<i>Pro-forma adjustments:</i>			
Issue of Director Options		104,000	104,000
Issue of Woodchester Options		56,000	56,000
Issue of options on conversion of Interim Funding Convertible Notes		150,000	200,000
		310,000	360,000
Pro-forma Balance		4,384,362	4,434,362

The Black Scholes Option pricing model has been used to value the following options:

Item	Interim Funding Convertible Note Options (Min)	Interim Funding Convertible Note Options (Max)	Director Options	Woodchester Options
Value of the underlying security	\$0.03	\$0.03	\$0.03	\$0.03
Exercise price	\$0.05	\$0.05	\$0.05	\$0.05
Expiration date	30-Jun-23	30-Jun-23	30-Jun-23	30-Jun-23
Expiration period (years)	3.27	3.27	3.27	3.27
Volatility	100%	100%	100%	100%
Dividend yield	Nil	Nil	Nil	Nil
Risk free rate	0.30%	0.30%	0.30%	0.30%
Number of Options	9,375,000	12,500,000	6,500,000	3,500,000
Valuation per Option	\$0.016	\$0.016	\$0.016	\$0.016
Total Valuation of Options	\$150,000	\$200,000	\$104,000	\$56,000

	Hawkley as at as at 31-Dec-19	Pro-forma after Offer Min	Pro-forma after Offer Max
NOTE 9. ACCUMULATED LOSSES	\$	\$	\$
Accumulated losses	(43,600,397)	(44,741,882)	(44,860,214)
<i>Adjustments to arise at the pro-forma balance:</i>			
Balance of Hawkley at 31-Dec-19		(43,600,397)	(43,600,397)
		(43,600,397)	(43,600,397)
<i>Pro-forma adjustments:</i>			
Costs of the Offer not directly attributable to the capital raising		(196,985)	(202,817)
Issue of Existing Director Shares for services provided in relation to the acquisition		(195,000)	(195,000)
Issue of Director Options		(52,000)	(52,000)
Shares issued to IIG as consideration for corporate advisory services		(360,000)	(360,000)
Financing charge associated with conversion of Interim Funding Convertible Notes		(187,500)	(187,500)
Financing charge associated with conversion of Additional Interim Funding Convertible Notes		-	(62,500)
Financing charge arising from the issue of options on conversion of the Interim Funding Convertible Note Options		(150,000)	(200,000)
		(1,141,485)	(1,259,817)
Pro-forma Balance		(44,741,882)	(44,860,214)

NOTE 10: ASSET ACQUISITION

A summary of the acquisition details with respect to the proposed acquisition of the Project as included in our report is set out below. These details have been determined for the purposes of the pro-forma adjustments as at 31 December 2019. The asset acquisition accounting has been prepared in accordance with IFRS3: *Business combinations* and IFRS 2: *Share based payments*.

The Company has treated the acquisition as an asset acquisition as it has formed the view that it does not consider the asset being acquired to meet the requirements of a business under IFRS 3.

Further, the Company can rely on the modification of IFRS 3, which was made in October 2018 and is effective from 1 January 2020. This modifications would be effective for the Company for the period commencing 1 July 2020 (i.e. year ending 30 June 2021). Early adoption is however permitted. In determining the appropriate accounting treatment for the acquisition, it is assumed that the Company will early adopt.

The relevant amendments to IFRS 3 is that it adds an optional concentration test as a short cut way of concluding that certain types of acquisitions are not business combinations. The concentration test means if substantially all of the fair value of the gross assets acquired are

concentrated in a single identifiable asset or group of similar identifiable assets, then it is an asset acquisition and no further analysis is required.

Under asset acquisition accounting, the fair value of consideration must be determined based on the date control of the assets is obtained. The fair value is then allocated on a relative basis to the assets and liabilities acquired. No liabilities were acquired in this transaction which require further consideration.

The fair value of the asset acquired lies solely in the oil fields that are being acquired. As a result, the full fair value of consideration will be attributable to the oil and gas properties acquired.

We consider it appropriate to fair value the consideration paid. The transaction is an arm's length transaction between two willing and not anxious buyers and sellers, therefore the consideration paid represents the fair value of the assets acquired.

NOTE 11: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 12: COMMITMENTS AND CONTINGENCIES

At the date of the report no material commitments or contingent liabilities exist that we are aware of, other than those disclosed in the Prospectus.

APPENDIX 4

HAWKLEY OIL & GAS

HISTORICAL FINANCIAL INFORMATION - STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows	Historical for the half year ended 31-Dec-19 \$	Historical for the year ended 30-Jun-19 \$	Historical for the half year ended 31-Dec-18 \$	Historical for the year ended 30-Jun-18 \$
Cash flows from operating activities				
Payments to suppliers and employees	(72,351)	(169,343)	(104,365)	(143,199)
Interest received	7	335	254	227
Net cash (outflow) from operating activities	(72,344)	(169,008)	(104,111)	(142,972)
Cash flows from investing activities				
Net cash (outflow) from investing activities	-	-	-	-
Cash flows from financing activities				
Proceeds from borrowings	95,000	-	-	200,000
Net cash from/(used in) financing activities	95,000	-	-	200,000
Net cash increase/(decrease) in cash and cash equivalents	22,656	(169,008)	(104,111)	57,028
Foreign exchange differences	-	14	-	32
Cash and cash equivalents at beginning of year	12,947	181,941	181,941	124,881
Effects of exchange rate changes on cash and cash equivalents	4	-	14	-
Cash and cash equivalents at end of period	35,607	12,947	77,844	181,941

The Historical Statements of Cash Flows show the historical cash flows of Hawkley and are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 3.

APPENDIX 5

HAWKLEY OIL AND GAS LIMITED

HISTORICAL FINANCIAL INFORMATION - STATEMENT OF CHANGES IN EQUITY

	Issued Capital	Accumulated Losses	Convertible Note Equity Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2017	38,974,788	(42,949,645)	(687,907)	4,730,974	68,210
Loss attributable to members of parent entity	-	(221,494)	-	-	(221,494)
Total comprehensive income for the year	-	(221,494)	-	-	(221,494)
Equity component of convertible note	-	-	14,988	-	14,988
Balance at 30 June 2018	38,974,788	(43,171,139)	(672,919)	4,730,974	(138,296)
Balance at 1 July 2018	38,974,788	(43,171,139)	(672,919)	4,730,974	(138,296)
Loss attributable to members of parent entity	-	(242,441)	-	-	(242,441)
Total comprehensive income for the year	-	(242,441)	-	-	(242,441)
Equity component of convertible note	-	-	16,307	-	16,307
Balance at 30 June 2019	38,974,788	(43,413,580)	(656,612)	4,730,974	(364,430)
Balance at 1 July 2019	38,974,788	(43,413,580)	(656,612)	4,730,974	(364,430)
Loss attributable to members of parent entity	-	(186,817)	-	-	(186,817)
Total comprehensive income for the year	-	(186,817)	-	-	(186,817)
Balance at 31 December 2019	38,974,788	(43,600,397)	(656,612)	4,730,974	(551,247)

The Historical Statement of Changes in Equity of Hawkley are to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 3.

APPENDIX 6

FINANCIAL SERVICES GUIDE

6 April 2020

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Hawkley Oil and Gas Limited ('the Company') to provide an Independent Limited Assurance Report ('ILAR' or 'our Report') for inclusion in this Prospectus.

Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our internal and external complaints handling procedures and how you may access them.

Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our Report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide an ILAR in connection with the financial product of another entity. Our Report indicates who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our Report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

Fees, commissions and other benefits that we may receive

We charge fees for providing reports, including this Report. These fees are negotiated and agreed with the client who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$16,000 (exclusive of GST).

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the Report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Hawkley for our professional services in providing this Report. That fee is not linked in any way with our opinion as expressed in this Report.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Complaints resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, 38 Station Street, Subiaco, Perth WA 6008.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Australian Financial Complaints Authority ('AFCA'). AFCA was established on 1 November 2018 to allow for the amalgamation of all Financial Ombudsman Service schemes into one. AFCA will deal with complaints from consumers in the financial system by providing free, fair and independent financial services complaint resolution. If an issue has not been resolved to your satisfaction you can lodge a complaint with AFCA at any time.

Our AFCA Membership Number is 12561. Further details about AFCA are available on its website www.afca.org.au or by contacting it directly via the details set out below:

Australian Financial Complaints Authority
GPO Box 3
Melbourne VIC 3001
Toll free: 1300 931 678
Website: www.afca.org.au

Contact details

You may contact us using the details set out on page 1 of our Report.

9. RISK FACTORS

The business, assets and operations of the Company, including after settlement of the Acquisition, are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of our Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

The risks and uncertainties described below are not intended to be exhaustive. The summary of risks that follows is not intended to be exhaustive and this Prospectus does not take into account the personal circumstances, financial position or investment requirements of any particular person. There may be additional risks and uncertainties that the Company is unaware of or that the Company currently considers to be immaterial, which may affect the Company, or its related entities and consequently Applicants. Based on the information available, a non-exhaustive list of risk factors for the Company associated with the Company's proposal to undertake the Acquisition is as follows.

9.1 Risks relating to the Company and the Change in Nature and Scale of Activities

Shareholders should be aware that if the Acquisition Resolutions are approved and the Acquisition is completed, the Company will be re-complying with Chapters 1 and 2 of the ASX Listing Rules and will be subject to various risk factors.

Based on the information available, a non-exhaustive list of risk factors associated with the Acquisition and following completion of the Acquisition are set out below.

(a) Completion risk

The Company has agreed to acquire an approximate working interest of 33% in the Project from the Burke County Vendors, the completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Acquisition cannot be fulfilled and, in turn, that completion of the Acquisition does not occur.

If the Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

(b) Re-quotation of Shares on ASX

The acquisition of the Project interests constitutes a significant change in the nature and scale of the Company's activities and the Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.

Trading in the Company's securities is currently suspended and will remain suspended until the Company re-complies with Chapters 1 and 2 of the ASX listing rules following completion of the Acquisition. The Acquisition is conditional on the Company obtaining all necessary regulatory and Shareholder approvals to effect the Acquisition, and compliance with any further conditions ASX imposes on such reinstatement.

There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation. The Company however, following the recent detailed discussions with the ASX surrounding these acquisitions and the Company's re-compliance obligations, at the moment sees no reason why the Company should not be able to re-comply according with these conditions within a few weeks of the upcoming intended shareholder meeting.

As set out in Section 2.2.3, if the Company's securities have not been reinstated by 31 January 2020, under ASX policy, ASX will seek to remove the Company from the Official List. The Company intends to seek a short 3 month extension from ASX to allow time to complete the Acquisition and the Capital Raising and re-comply with Chapters 1 and 2 of the ASX Listing Rules so that its securities can be reinstated to Official Quotation. There is no guarantee that ASX will grant that extension.

(c) **Commodity price volatility risk and exchange rate risks**

It is anticipated that any future revenues of the Company, other than sales of assets, will be derived from the sale of oil and/or natural gas. The demand for, and price of, oil and natural gas is dependent on a variety of factors beyond the control of the Company, including supply levels of the product, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

The prices of oil and natural gas have fluctuated greatly in response to changes in many factors. Currently, the Company is in a situation where oil (and to some extent also natural gas) prices are significantly lower. Over the past 10 years, WTI oil has traded at over US\$110/bbl and under US\$30/bbl. There are several reasons for this (including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products) but fundamental market forces beyond the Company's control or the control of other market participants have impacted and will continue to impact oil and natural gas prices in the future.

A prolonged period of low oil and natural gas prices will adversely affect the Company's business, the results of operations, financial condition, liquidity and its ability to finance planned capital expenditure, including possible reductions in capital expenditures which could offset replacement reserves. Rapid material and/or sustained reductions in oil, gas or product prices can have an impact on the validity of the assumptions on which strategic decisions are based and can have an impact on the economic viability of projects that are planned or in development.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(d) **Dilution risk**

The Company currently has 465,239,077 Shares on issue (on a pre-Consolidation basis). Under the Acquisition and the Offer and in connection with those transactions, the Company proposes to issue:

- (i) the Consideration Shares;
- (ii) the Offer Shares;
- (iii) the Interim Funding Shares on conversion of the Convertible Notes;
- (iv) Advisor Shares; and
- (v) the Existing Director Shares.

After the Consolidation and the issue of the Securities listed above (i.e., on completion of the Offer and the Acquisition, but assuming no Options are exercised):

- (i) the Consideration Shares to be issued to the Burke County Vendors will comprise approximately 17.42% of the Company's issued Share capital at Minimum Subscription or 14.45% at Maximum Subscription;
- (ii) the participants in the Capital Raising will hold approximately 46.97% of the Company's issued Share capital at Minimum Subscription or 54.55% at Maximum Subscription;
- (iii) the Shares to be issued to the participants under the Interim Funding Convertible Note Agreement on conversion of the Convertible Notes will comprise 5.28% of the Company's issued Share capital at Minimum Subscription or 5.84% at Maximum Subscription (assuming full subscription under the Interim Funding Convertible Note Agreement);
- (iv) the existing Shareholders will retain approximately 12.86% of the Company's issued Share capital at Minimum Subscription or 10.67% at Maximum Subscription; and
- (v) the Shares to be issued to the Existing Directors of HOG will comprise approximately 3.66% of the Company's issued Share capital at Minimum Subscription or 3.04% at Maximum Subscription.

(e) **Exploration and evaluation**

Potential investors should understand that mineral exploration and development are high-risk undertakings. There can be no assurance that future exploration of the claims, or any other claims that may be acquired in the future, will result in the discovery of an economic resource. Even if an apparently viable resource is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns or adverse weather conditions,

unanticipated operational and technical difficulties, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, industrial and environmental accidents, industrial disputes, unexpected shortages and increases in the costs of consumables, spare parts, plant, equipment and staff, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company being able to maintain title to the claims and obtaining all required approvals for their contemplated activities. In the event that exploration programs prove to be unsuccessful this could lead to a diminution in the value of its projects, a reduction in the cash reserves of the Company and possible relinquishment of the claims comprising its projects.

(f) **Exploration Costs**

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainty, and accordingly, the actual costs may materially differ from the estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely impact the Company's viability.

9.2 Industry specific

(a) **Hydrocarbon reserve estimates**

Hydrocarbon reserve estimates are expressions of judgment based on knowledge, experience, interpretation and industry practice. Estimates that were valid when made may change significantly when new information becomes available.

In addition, reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may prove inaccurate. Should the Company encounter oil and/or gas deposits or formations different from those predicted by past drilling, sampling and similar examinations, then reserve estimates may have to be adjusted and production plans may have to be altered in a way which could adversely affect the Company's operations. Where possible, the Company will seek to have any such estimates verified or produced by an independent party with sufficient expertise in their chosen field.

(b) **Regulation – Exploration and Production**

Oil and natural gas exploration, production and related operations are subject to extensive rules and regulations promulgated by federal, state and local agencies. Failure to comply with such rules and regulations can result in substantial penalties. The regulatory burden on the oil and gas industry increases the cost of doing business and affects profitability. Because such rules and regulations are frequently amended or reinterpreted, the Company is unable to predict the future cost or impact of complying with such laws.

Permits are required in some of the areas in which the Company will operate following completion of the Proposed Transaction for drilling

operations, drilling bonds and the filing of reports concerning operations and other requirements are imposed relating to the exploration and production of oil and gas. The Company will be required to comply with various federal and state regulations regarding plugging and abandonment of oil and natural gas wells, which will impose a substantial rehabilitation obligation on the Company, which may have a material adverse effect on the Company's financial performance.

(c) **Drilling Risks**

Oil and gas drilling activities are subject to numerous risks, many of which are beyond the Company's control. The Company's drilling operations may be curtailed, delayed or cancelled due to a number of factors including weather conditions, mechanical difficulties, shortage or delays in the availability or delivery of rigs and/or other equipment and compliance with governmental requirements. Hazards incidental to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company.

Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. While drilling may yield some hydrocarbons there can be no guarantee that the discovery will be sufficiently productive to justify commercial development or cover operating costs.

(d) **Insurance**

Exploration, development and production operations on oil and gas properties involve a number of risks and hazards which are beyond the control of the Company including unexpected or unusual geological conditions, environmental hazards, technical and equipment failures, extended interruptions due to inclement or hazardous weather or other physical conditions, unavailability of drilling equipment, unexpected shortages of key personnel, labour, consumables or parts and equipment, fire, explosions and other incidents. It is not always possible to insure against all such risks or the Company may decide not to insure against certain risks because of high premiums or other reasons. Although the Company will have insurance in place at levels considered appropriate for its operations and in accordance with industry practice, in certain circumstances the Company's insurance may not cover, or be adequate to cover, the consequence of such events which could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the Company's Shares.

(e) **Substitution of oil and gas products as energy sources**

There are a number of alternative energy sources from oil and gas products. These include renewable energy (i.e., wind, solar or hydroelectric), nuclear energy, geothermal and biomass. If the costs and commercial prices of such alternative energy sources fall or there is a significant shift in consumer sentiment towards such sources, this may have a significant effect upon the Company's overall performance and ability to operate in the oil and gas industry.

9.3 General Risks

(a) **Additional Requirements for Capital**

The funds to be raised under the Capital Raising are considered sufficient to meet the immediate objectives of the Company and implementation of the strategy detailed in Section 6.3. Additional funding may be required in the event costs exceed the Company's estimates and to effectively implement its business and operational plans in the future to take advantage of opportunities for acquisitions, joint ventures or other business opportunities, and to meet any unanticipated liabilities or expenses which the Company may incur.

Following completion of the Capital Raising, the Company may seek to raise further funds through equity or debt financing, joint ventures, licensing arrangements, or other means. Failure to obtain sufficient financing for the Company's activities may result in delay and indefinite postponement of their activities and the proposed commercialisation, marketing and international expansion strategy. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing may not be favourable to the Company and might involve substantial dilution to Shareholders.

(b) **Reliance on key personnel**

The Company's future depends, in part, on its ability to attract and retain key personnel. It may not be able to hire and retain such personnel at compensation levels consistent with its existing compensation and salary structure. Its future also depends on the continued contributions of its executive management team and other key management and technical personnel, the loss of whose services would be difficult to replace. In addition, the inability to continue to attract appropriately qualified personnel could have a material adverse effect on the Company's business.

(c) **JV partners and contractors**

Oil and gas ventures are typically operated under joint venture arrangements. These arrangements include provisions that often require certain decisions relating to the projects to be passed with unanimous or majority approval of all participants. Where a venture partner does not act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company.

The Company is unable to predict the risk of:

- (i) financial failure, non-compliance with obligations or default by a participant in any venture to which the Company is, or may become, a party;
- (ii) insolvency or other managerial failure by any of the contractors used by the Company in any of its activities; or
- (iii) insolvency or other managerial failure by any of the other service providers used by the Company for any activity,

all of which could have a material adverse effect on the operations and financial performance of the Company.

(d) **Economic and financial market risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) interest rates and inflation rates;
- (iii) currency fluctuations;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(e) **Force majeure**

The Company, now or in the future, may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, extreme weather conditions, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

(f) **Coronavirus (COVID-19) Risk**

The outbreak of the coronavirus disease (**COVID-19**) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of the coronavirus on its revenue channels and adverse impact on the Company. If any of these impacts appear material prior to close of the Offer, the Company will notify investors under a supplementary prospectus.

(g) **Risk of litigation, claims and disputes**

The Company is exposed to the risk of actual or threatened litigation or legal disputes in the form of claims by joint venture partners, personal injury and property damage claims, environmental and indemnity claims, employee claims and other litigation and disputes. There is a risk that such litigation, claims and disputes could materially and adversely affect the Company's operating and financial performance due to the cost of defending and/or settling such claims, and could affect the Company's reputation.

(h) **Uncertainty of Future Profitability**

The Company has incurred losses in the past and it is therefore not possible to evaluate the Company's future prospects based on past performance. The Company expects to make losses in the foreseeable future. Factors that determine the Company's future profitability are its ability to manage its costs and its development and growth strategies, the success of its activities in a competitive market, and the actions of competitors and regulatory developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted and may vary significantly from period to period.

(i) **Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects and additional assets. Any such acquisitions will be accompanied by risks commonly encountered and listed in this section.

(j) **Government Licences and Approvals**

Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, foreign currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and site safety.

Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

(k) **General Economic and Political Risks**

Changes may occur in the general economic and political climate in the jurisdictions in which the Company operates and on a global basis that could have an impact on economic growth, oil and gas prices, interest rates, the rate of inflation, taxation, tariff laws and domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

(l) **Share Market Risk**

The market price of the Company's Shares could fluctuate significantly. The market price of the Company's Shares may fluctuate based on a number of factors including the Company's operating performance and the performance of competitors and other similar companies, the public's reaction to the Company's press releases, other public announcements and the Company's filings with securities regulatory authorities, changes in earnings estimates or recommendations by research analysts who track the Company's Shares or the shares of other companies in the energy sector, changes in general economic conditions, the number of the Company's Shares publicly traded and the arrival or departure of key personnel, acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's Shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Company's Shares, and the attractiveness of alternative investments.

(m) **Competition**

The Company intends to compete with other companies, including major oil and gas companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. There can be no assurance that the Company can compete effectively with these companies.

(n) **Insurance risks**

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

Insurance against all risks associated with oil and gas exploration and production is not always available and where available the costs can be prohibitive.

(o) **Regulatory Risks**

The Company is based in Australia and is subject to Australian laws and regulations. For example, the Company is required to comply with the Corporations Act. Changes in relevant taxes, legal and administration regimes, accounting practice and government policies in the countries in which the Company operates, and may operate, may adversely affect the financial performance of the Company.

Additionally, the Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title

and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities.

Obtaining necessary permits can be a time-consuming process and there is a risk that Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's Securities.

(p) **Risk of international operations generally**

International sales and operations are subject to a number of risks, including:

- (i) potential difficulties in enforcing agreements (including joint venture agreements) and collecting receivables through foreign local systems;
- (ii) potential difficulties in protecting intellectual property;
- (iii) increases in costs for transportation and shipping; and
- (iv) restrictive governmental actions, such as imposition of trade quotas, tariffs and other taxes.

Any of these factors could materially and adversely affect the Company's business, results of operations and financial condition.

(q) **Management of growth**

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Acquisition. The capacity of the Company's management to properly implement and manage the strategic direction of the business may affect the Company's financial performance.

9.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's Securities.

10. BOARD AND MANAGEMENT

10.1 Directors of the Company

Messrs Wylie, Fontaine and Marshall are the current directors of the Company. Messrs Fontaine and Marshall will remain as directors of the Company following completion of the Acquisition, while Mr Wylie will resign as a Director however continue as the Company Secretary. Additionally, Mr Spittlehouse, a nominee of the Burke County Vendors, is a Proposed Director of the Company.

On completion of the Acquisition, the Company's Board will be comprised of:

(a) **Tom Fontaine** (*Managing Director*);

Mr. Fontaine is a professional engineer with over 25 years' experience in starting, running and building resource companies. He is currently a major shareholder and on the board of several early stage resource companies focused in Australia, Cuba, Africa and North America. He was a founder of Pure Energy and helped build it into a \$1 billion company in 4 years.

The Board does not consider Mr Fontaine to be an independent director as he is an executive officer of the Company.

(b) **Jason Spittlehouse** (*Non-Executive Director*)

Mr. Spittlehouse has held geoscience positions in Australia, UK and SE Asia and holds an MSc from Imperial College, London. Mr. Spittlehouse was a founding director and seed investor at Neon Energy Pty Ltd in 2005. He also founded Houston-based VistaTex Energy LLC in 2010, a privately held producer, operating in seven states, with interests in 50 fields. The company was sold in August, 2014.

The Board does not consider Mr Spittlehouse to be an independent director as he is a representative of the Burke County Vendors.

(c) **Kane Marshall** (*Non-Executive Director*)

Mr Marshall has over 20 years' experience in various roles as a director, geologist, petroleum engineer and company builder. He is currently the Managing Director of Perth Basin and Cooper Basin Operator Key Petroleum Limited (ASX: KEY). His diverse experience base includes technical and managerial roles with private equity funded oil companies, independents and majors. Prior to his appointment to Key Petroleum Limited, Mr Marshall was a Petroleum Consultant at Santos and a Production Engineer with the Roma Implementation Team in Brisbane, as well as a Reservoir and Petroleum Engineer for both Chevron Australia and Woodside Energy on North-West Shelf projects based in Perth.

Earlier in his career, Mr Marshall was based in London principally working in technical roles on Southern North Sea Gas developments for European utility giant DEA AG and private equity backed Operator Highland Energy Limited.

Mr Marshall holds academic qualifications which include a Masters of Petroleum Engineering from Curtin University, Bachelor of Science (Petroleum Geology) from the University of Western Australia and a Bachelor of Commerce (Investment Finance and Corporate Finance) from the University of Western Australia.

The Board considers Mr Marshall to be an independent director as he is a non-executive director with no substantial holding in the Company or significant relationship with major shareholders or the vendors.

10.2 Personal Interests of Directors

Directors are not required under the Constitution to hold any Shares to be eligible to act as a Director.

Details of the Directors' and Proposed Directors' remuneration are set out in the table below:

Director/Proposed Director	Shares	% (undiluted) ¹	Options	% (diluted) ¹
Tom Fontaine	7,000,000 ²	1.97	3,500,000 ³	2.81
Murray Wylie	4,000,000 ²	1.13	2,000,000 ³	1.60
Jason Spittlehouse ¹	17,661,534 ⁴	4.98	-	4.72
Kane Marshall	2,000,000 ²	0.56	1,000,000 ³	0.80

Notes:

1. Assuming Minimum Subscription.
2. Existing Director Shares to be issued subject to Shareholder approval at the Meeting.
3. Existing Director Options to be issued on the terms and conditions set out in Section 13.3 subject to Shareholder approval at the Meeting.
4. Consideration Shares to be issued to Radian Partnership Limited (an entity of which Proposed Director Jason Spittlehouse holds a controlling interest) subject to Shareholder approval at the Meeting.

The Company's Constitution provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting. The Shareholders have approved the payment of fees to the Non-Executive Directors which in aggregate cannot exceed \$500,000 per annum although this may be varied by ordinary resolution of the Shareholders in general meeting.

The remuneration of any executive director that may be appointed to the Board will be fixed by the Board and may be paid by way of fixed salary or consultancy fee.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility.

10.3 Agreements with Directors and Related Parties

The Company's policy in respect of related party arrangements is:

- (a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

- (b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

Details of the letters of appointment and services agreements that the Company has entered into with its Directors are set out at Sections 10.4 and 10.5 below.

10.4 Executive Services Agreement – Tom Fontaine

The Company has entered into an executive services agreement with Mr Tom Fontaine on the following material terms:

- (a) **(Position):** Mr Fontaine was appointed as the Managing Director of the Company on 21 June 2019.
- (b) **(Term):** Mr Fontaine's employment commenced on 21 June 2019 and will continue until the agreement is validly terminated in accordance with its terms.
- (c) **(Notice period):** The Company must give 3 months' notice to terminate the agreement other than for cause. Mr Fontaine must give 3 months' notice to terminate the agreement.
- (d) **(Salary):** The Company will pay Mr Fontaine a salary of \$180,000 per year for services rendered (inclusive of superannuation).
- (e) **(Expenses):** On provision of all documentary evidence reasonably required by the Company, the Company will reimburse Mr Fontaine for all reasonable travelling intra/interstate or overseas, accommodation and general expenses incurred by the Executive in the performance of all duties in connection with the business of the Company.

The agreement otherwise contains leave entitlements, termination and confidentiality provisions and general provisions considered standard for an agreement of this nature.

10.5 Non-Executive Director Appointment Letters

The Company has entered into non-executive director appointment letters with Messrs Marshall and Spittlehouse pursuant to which, they are each appointed as Non-Executive Directors of the Company on the following terms:

- (a) **(Fees):** Messrs Marshall and Spittlehouse will each receive Director fees of \$42,000 per annum (inclusive of superannuation);
- (b) **(Day Rate):** for any duties performed for any work outside of the ordinary scope of director duties, Mr Marshall will be paid a day rate of \$1,000 per day, while Mr Spittlehouse will be paid an hourly rate of US\$125; and
- (c) **(Term):** the term of each Director's appointments are subject to provisions of the Constitution and the ASX Listing Rules relating to retirement by rotation and re-election of directors and will automatically cease at the end of any meeting at which that particular Director is not re-elected as a Director by the Shareholders.

The appointment letters otherwise contain terms and conditions that are considered standard for agreements of this nature.

10.6 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of the Directors and the Proposed Director. Under these deeds, the Company will agree to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company will also be required to maintain insurance policies for the benefit of the relevant officer and allow the officers to inspect board papers in certain circumstances.

11. CORPORATE GOVERNANCE

11.1 ASX Corporate Governance

The Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. To implement these systems, the Company has adopted a set of policies and procedures. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, the Company has adopted *The Corporate Governance Principles and Recommendations (4th Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website at www.hawkleyoilandgas.com.

11.2 Board of Directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

- (a) maintain and increase Shareholder value;
- (b) ensure a prudential and ethical basis for the Company's conduct and activities consistent with the Company's stated values; and
- (c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

- (a) leading and setting the strategic direction, values and objectives of the Company;
- (b) appointing the Chairman of the Board, Managing Director or Chief Executive Officer and approving the appointment of senior executives and the Company Secretary;
- (c) overseeing the implementation of the Company's strategic objectives, values, code of conduct and performance generally;
- (d) approving operating budgets, major capital expenditure and significant acquisitions and divestitures;
- (e) overseeing the integrity of the Company's accounting and corporate reporting systems, including any external audit (satisfying itself financial

statements released to the market fairly and accurately reflect the Company's financial position and performance);

- (f) establishing procedures for verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor, to ensure that each periodic report is materially accurate, balanced and provides investors with appropriate information to make informed investment decisions;
- (g) overseeing the Company's procedures and processes for making timely and balanced disclosure of all material information that a reasonable person would expect to have a material effect on the price or value of the Company's securities;
- (h) reviewing, ratifying and monitoring the effectiveness of the Company's risk management framework, corporate governance policies and systems designed to ensure legal compliance; and
- (i) approving the Company's remuneration framework.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

11.3 Composition of the Board

Election of Board members is substantially the responsibility of the Shareholders in general meeting, subject to the following:

- (a) membership of the Board of Directors will be reviewed regularly to ensure the mix of skills and expertise is appropriate; and
- (b) the composition of the Board has been structured so as to provide the Company with an adequate mix of directors with industry knowledge, technical, commercial and financial skills together with integrity and judgment considered necessary to represent shareholders and fulfil the business objectives and values of the Company as well as to deal with new and emerging business and governance issues.

Upon settlement of the Acquisition, the Board is proposed to consist of three (3) Directors of whom Kane Marshall is considered to be independent. The Board considers the current balance of skills and expertise to be appropriate given the Company for its currently planned level of activity.

The Company, the Company's stated values and all the Company's related bodies corporate are committed to workplace diversity. The Company is committed to inclusion at all levels of the organisation, regardless of gender, marital or family status, sexual orientation, gender identity, age, disabilities, ethnicity, religious beliefs, cultural background, socio-economic background, perspective and experience.

To assist in evaluating the appropriateness of the Board's mix of qualifications, experience and expertise, the Board intends to maintain a Board Skills Matrix to ensure that the Board has the skills to discharge its obligations effectively and to add value.

The Board undertakes appropriate checks before appointing a person as a Director or putting forward to Shareholders a candidate for election as a Director or senior executive.

The Board ensures that Shareholders are provided with all material information in the Board's possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company shall develop and implement a formal induction program for Directors, which is tailored to their existing skills, knowledge and experience. The purpose of this program is to allow new directors to participate fully and actively in Board decision-making at the earliest opportunity, and to enable new directors to gain an understanding of the Company's policies and procedures.

The Board maintains oversight and responsibility for the Company's continual monitoring of its diversity practices. The Company's Diversity Policy provides a framework for the Company to achieve enhanced recruitment practices whereby the best person for the job is employed, which requires the consideration of a broad and diverse pool of talent.

11.4 Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

11.5 Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards and to conducting all of the Company's business activities fairly, honestly with integrity, and in compliance with all applicable laws, rules and regulations. In particular, the Company and the Board are committed to preventing any form of bribery or corruption and to upholding all laws relevant to these issues as set out in the Company's Anti-Bribery and Anti-Corruption Policy. In addition, the Company encourages reporting of actual and suspected violations of the Company's Code of Conduct or other instances of illegal, unethical or improper conduct. The Company and the Board provide effective protection from victimisation or dismissal to those reporting such conduct as set out in its Whistleblower Protection Policy.

11.6 Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

11.7 Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution. Subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum cap will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each

non-executive Director. The current amount has been set at an amount not to exceed \$500,000 per annum.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

11.8 Trading policy

The Board has adopted a trading policy that sets out the guidelines on the sale and purchase of securities in the Company by its directors, officers, employees and contractors. The trading policy generally provides that for directors, the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

11.9 External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company. From time to time, the Board will review the scope, performance and fees of those external auditors.

11.10 Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to:

- (a) monitoring and reviewing any matters of significance affecting financial reporting and compliance;
- (b) verifying the integrity of those periodic reports which are not audited or reviewed by an external auditor;
- (c) monitoring and reviewing the Company's internal audit and financial control system, risk management systems; and
- (d) management of the Company's relationships with external auditors.

11.11 Departures from Recommendations

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has

followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's compliance and departures from the Recommendations will also be announced prior to admission to the Official List of the ASX.

12. MATERIAL CONTRACTS

12.1 Acquisition Agreement

A summary of the terms and conditions of the Sale and Purchase Agreement for the Acquisition is set out below (**Acquisition Agreement**):

(a) Acquisition

The Company has agreed to acquire and the Burke County Vendors have agreed to collectively sell 35% of their interest in the Project in the proportions set out in the table at Section 12.1(c) below.

(b) Conditions

Completion of the Acquisition is subject to a number of conditions precedent, including, but not limited to:

- (i) the Company obtaining all necessary shareholder and regulatory approvals required by the Corporations Act, ASX Listing Rules or other applicable laws in relation to the Acquisition;
- (ii) the Company successfully undertaking a capital raising for a minimum of \$5,000,000 and the securities of the Company being re-admitted to the official list of ASX;
- (iii) the Company entering into a transition and contractor services agreement with Thurston Energy Investments 2, LLC and Challenger Point Energy, LLC (**CPE**) where CPE provides operational, accounting and marketing services for 3 months after completion, which may be extended for an additional 3 months. After this, CPE will provide these services for a further 12 months, renewable annually by mutual agreement (refer to Section 12.2 for further details of the transition agreement); and
- (iv) all Burke County Vendors delivering to the Company signed restriction agreements relating to all the Consideration Shares issued as consideration, in accordance with the ASX Listing Rules (to the extent that ASX requires those securities to be escrowed).

If the conditions precedent to the Acquisition are not all fulfilled or waived by the parties by 31 May 2020 or such later date as agreed in writing between the parties then a party shall have the right to terminate the Sale and Purchase Agreement by giving notice to the other party.

(c) Consideration

Subject to satisfaction or waiver of conditions precedent to the Acquisition, in consideration for acquiring 35% of the Burke County Vendors' interests (an approximate working interest of 33%), the Company has agreed to, upon settlement of the Acquisition pay US\$2,512,820 to the Burke County Vendors as set out below:

- (i) US\$1,256,410 in cash; and
- (ii) issue 61,815,367 Shares (on a post-Consolidation basis),

proportional to the interest that each of the Burke County Vendors will transfer to the Company, as set out in the table below:

Burke County Vendor	Share of Sale Interest (%)	Proportion of Cash and Consideration Shares (%)	Cash Consideration (USD)	Consideration Shares (USD)
Radian Partnership LP ¹	10.000	28.571	358,976	17,661,534
GCC Thurston Energy Limited Partnership	3.125	8.929	112,179	5,519,229
Natural Resource Advisors LLC	3.125	8.929	112,179	5,519,229
Ralph Curton Jr	3.125	8.929	112,179	5,519,229
Thurston Energy Investments 2 LLC	12.5	35.713	448,718	22,076,917
VP5 LLC	3.125	8.929	112,179	5,519,229
Total	35.000	100%	1,256,410	61,815,367

Notes:

1. an entity of which Proposed Director Jason Spittlehouse holds a controlling interest.

(d) Completion

Completion of the Acquisition will take place on that date which is 2 business days after the satisfaction or waiver of the last outstanding Condition, or such other date as is agreed in writing between the parties at such time and place as the parties may agree.

(e) Termination

Either party may terminate the Acquisition Agreement with immediate effect if any of the Conditions set out at Section 12.1(b) is not satisfied or waived by 31 May 2020. If the Acquisition Agreement is terminated, the parties will take all necessary steps to discontinue the assignment of the Project to the Company and neither party shall have any liability to the other party in connection with the Acquisition Agreement, including those related to the event giving rise to termination and any accrued rights or liabilities.

The Acquisition Agreement also contains a number of indemnities, representations and warranties that are considered standard for an agreement of this nature.

12.2 Transition Agreement

The Company intends to enter into the transition and contract services agreement (**Transition Agreement**) with Thurston Energy Investments 2, LLC as the vendor (**Seller**) and CPE, which is currently the operator of the Project the subject of the Acquisition Agreement as the transition and contract operator. The Transition

Agreement is a Condition of the Acquisition Agreement, the material terms and conditions of which are set out below:

(a) **Services**

As noted above, CPE currently provides operational, accounting and marketing services to the Seller with respect to the Project area. Pursuant to the Transition Agreement, CPE will continue to provide the following services to the Company in relation to the Project in a manner consistent with its provision of services in the past:

- (i) **(Operational Services)**: CPE will continue to perform physical operations on the Project area, which primarily involves regulatory reporting to governmental agencies that are responsible for environmental or operational compliance with respect to the Project such as gross products or other production reporting.
- (ii) **(Accounting Services)**: CPE will continue to perform the following services for the Project:
 - (A) revenue accounting and distribution;
 - (B) joint interest billing accounting and payment;
 - (C) gas marketing;
 - (D) state severance and tax reporting and payment services;
 - (E) land administration; and
 - (F) gross products and production reporting to any appropriate government agencies.
- (iii) **(Marketing Services)**: CPE will continue to schedule the deliveries and sales of the Company's share of oil, gas and other hydrocarbons produced from the properties.

(b) **Term**

CPE will provide the Services to the Company for an initial period of 3 months from Completion of the Acquisition (as set out above at Section 12.1(b)(iii)) **(Initial period)** which may be extended as follows:

- (i) the Services can be extended by an additional 3 months by mutual agreement of CPE and the Company at least 10 days before the end of the Initial Period; and
- (ii) thereafter, the Services may be extended for periods of 12 months, renewable annually by mutual agreement between CPE and the Company.

(c) **Remuneration**

The Company will pay US\$20,000 per month to CPE for the provision of the Services, which is strictly for the Services provided by CPE.

The Remuneration amount does not include other general administrative costs and expenses normally associated with the performance of the Services (such as office rent, utilities, software, travel and insurance), or the costs of operating and owning the Interest in the Project, which are to be paid by the Company.

(d) **Termination**

The Transition Agreement can be terminated as follows:

- (i) The Transition Agreement will terminate 12 months from the Completion of the Acquisition unless extended in accordance with Section 12.2(b); or
- (ii) if the Company defaults on a payment of any amount due to CPE, CPE shall have the unilateral right to terminate the Transition Agreement if it provides written notice to the Company of the default and the Company does not remedy the default within 5 business days of receiving the notice; or
- (iii) either CPE or the Company may terminate the Transition Agreement in its sole discretion by 60 days written notice.

12.3 Farmout Agreement

(a) **General**

Prior to June 2017, the Burke County Vendors (excluding Radian Partnership Limited (**Radian**)) held an approximate 97% ownership interest in the Project. On 1 June 2017, and in return for a cash payment and agreement to undertake substantial capital expenditure on the Project over the next 2 years, the Burke County Vendors transferred 75% of their total interest to:

- (i) Radian (10%);
- (ii) C.O Cyprus Opportunity Energy Public Company Limited (**Cyprus Opportunity**) (3%); and
- (iii) Israel Opportunity Inc (**Israel Opportunity**) (62%),

(Israel Opportunity and Cyprus Opportunity comprise **the Farmees**).

(b) **Acquisition**

Pursuant to the Acquisition Agreement, the Company will acquire Radian's abovementioned 10% interest and the Burke County Vendors' remaining 25% interest in the Project interest which comprises approximately 35% of the total Project and, as such, will undertake all of the Burke County Vendors' obligations under the Farmout Agreement.

(c) **Operatorship and Operating Agreement**

The operating agreement annexed to the Farmout Agreement (**Operating Agreement**) includes the arrangements governing drilling and development works. Under the existing Farmout Agreement, the Farmees have the right to appoint an alternate Project operator which will survive 12 months after the termination of the Farmout Agreement.

(d) **Further works**

Any party that wishes to carry out drilling or development works with respect to the Project must provide written notice to the other parties which details the proposed work and estimated cost. The other parties then have 30 days to advise whether they elect to contribute to the works and remit their share of any cash call that may be required.

If some parties elect not to participate (**Non-consenting Parties**), they will relinquish their entitlement to receive their interest in the well and their share of production therefrom to the parties who consented to the works (**Consenting Parties**). The Consenting Parties will proceed with the proposal at their own cost and risk and will receive all benefits of the proposal (including those of the Non-consenting Parties) until the earlier of 3 years or until the earnings related to the non-consenting partners have reached the cost and expenses of development of the works (**Cost**) plus 300% of the total Cost.

12.4 **Lead Manager Mandate**

The Company has entered into a mandate dated 6 December 2019, pursuant to which it has engaged CPS Capital Group Pty Ltd (ACN 088 055 636) (**CPS Capital**) to act as Lead Manager to the Capital Raising (**Lead Manager Mandate**), the material terms and conditions of which are set out below:

(a) **Scope of Work**

CPS Capital will assist the Company with Lead Management services in relation to the Offer, including:

- (i) completing a seed raising of up to \$250,000 at \$0.02 per share through the issue of convertible notes (refer to the Interim Funding Convertible Note Agreement at Section 12.6 for further details); and
- (ii) raising a minimum of 166,666,667 Shares and up to 233,333,333 Shares at \$0.03 per Share pursuant to the Offer in order to raise a minimum of \$5,000,000 and a maximum of \$7,000,000.

(b) **Remuneration**

CPS Capital will receive:

- (i) a mandate execution fee of \$20,000 payable on completion of the seed raising;
- (ii) a capital raising fee of 6% of gross proceeds of the seed raising raised directly by CPS;
- (iii) a capital raising fee of 1% (plus GST) of the gross proceeds of the Offer, and a further 5% on funds raised directly by CPS;
- (iv) on reinstatement of the Company's securities to Official Quotation, CPS Capital will receive up to 30,000,000 Shares (**Lead Manager Shares**), which will be subject to escrow restrictions for two (2) years from the date of issue; and

- (v) a corporate advisory retainer of \$8,000 per month (plus GST) for 12 months following completion of the Offer.

(c) **Termination**

The Lead Manager Mandate is for a fixed term terminating 12 months from completion of the Offer. CPS Capital may terminate the Lead Manager Mandate if written notice of a breach is given to the other party, and the breach is not remedied within 14 days of written notice.

Otherwise, the Lead Manager Mandate contains other terms customary for an agreement of its nature.

12.5 **Woodchester Mandate**

The Company has entered into a mandate dated 21 September 2019 (which was amended on 30 January 2020), pursuant to which it has engaged Woodchester Capital Pty Ltd (ACN 158 420 878) (**Woodchester**) to act as a consultant to the Company (**Woodchester Mandate**).

(a) **Scope of Work**

- (i) introducing the Company to appropriate investors in order to meet the objectives of the Offer;
- (ii) introducing the Company to appropriate investors in order to raise \$300,000 - \$500,000 of seed capital pursuant to the Interim Funding Convertible Note Agreement, the details of which are set out at Section 12.6;
- (iii) assisting with identifying and engaging experts, service providers and consultants on behalf of the Company; and
- (iv) assisting the Company with marketing, corporate promotion and strategy.

(b) **Remuneration**

With respect to the seed capital raised under the Interim Funding Convertible Note Agreement, Woodchester will receive:

- (v) a cash fee of \$20,000 for services provided in connection with the facilitation of the seed capital raising (for the months of January 2020 and February 2020); and
- (vi) the issue of Interim Funding Convertible Notes to Woodchester worth \$30,000 (at a conversion price of \$0.02 per Share) for services provided in connection with the facilitation of the seed capital raising (for the months of October 2019, November 2019, and December 2019).

In addition, Woodchester will receive:

- (i) an investor relations fee of \$5,000 for services provided by Woodchester which will be payable from March 2020 until March 2021 (unless extended by written agreement of both Woodchester and the Company);

- (ii) the issue of 7,000,000 Woodchester Shares (subject to Shareholder approval) at a deemed issue price of \$0.03 per Share;
- (iii) the issue of 3,500,000 Woodchester Options (subject to Shareholder approval) on the terms and conditions set out at Section 13.3; and
- (iv) any applicable capital raising fees for the funds raised directly by Woodchester, though the total commission fee paid to CPS Capital and/or Woodchester for funds raised under the Capital Raising will not exceed 6%.

12.6 Interim Funding Convertible Note Agreement

The Company has entered into convertible loan agreements with the parties and in the proportions set out in Schedule 3 of the Notice of Meeting to provide interim funding to assist the Company with the costs of the Capital Raising (**Interim Funding Convertible Note Agreement**), the material terms and conditions of which are set out below:

(a) Conversion Date

The convertible notes shall be converted on or before 30 June 2020 unless extended by mutual agreement of the parties.

(b) Face Value

The face value is AUD\$1 per convertible note.

(c) Conversion Price

The conversion price for the Convertible Notes is \$0.02 (on a post-Consolidation basis).

(d) Free-attaching Options

Once the convertible notes automatically convert into Shares pursuant to Section 12.6(a) the Company will, subject to Shareholder approval issue the subscriber 1 free-attaching Option to acquire a Share (exercisable at \$0.05 each expiring on 30 June 2023, the terms and conditions of which are set out at Section 13.3) for every two Shares issued to the subscriber upon conversion.

(e) Interest

No interest is payable under the Interim Funding Convertible Note Agreement.

Otherwise, the Interim Funding Convertible Note Agreement contains other terms customary for an agreement of its nature.

12.7 Emco Convertible Loan Agreement

On 28 June 2019, the Company entered into a convertible loan agreement with Emco Capital Pty Ltd (ACN 074 681 075) (**Emco**) (**Emco Convertible Loan Agreement**), the material terms and conditions of which are set out below:

(a) **Principal Amount**

The Principal Amount is \$200,000.

(b) **Conversion**

The Company notes that the Emco Convertible Loan Agreement was varied on 12 March 2020, removing Emco's rights to convert the Principal Amount and any Interest to Shares in the Company.

Pursuant to the variation, the loan can be converted into cash at Emco's discretion at any time before the Repayment Date.

(c) **Repayment Date**

The loan must be repaid by 30 June 2020 unless extended by mutual agreement of the parties.

(d) **Interest**

Interest on the principal amount will accrue at 3% per annum on a non-compounding basis until the date that the principal amount is repaid in full.

Otherwise, the Emco Convertible Loan Agreement contains terms customary for an agreement of its nature.

12.8 Corporate Advisory Mandate

The Company has entered into a letter of engagement dated 15 August 2019 (**Commencement Date**), pursuant to which it has engaged International Island Group Pty Ltd (ACN 167 586 558) (**IIG**) to act as Corporate Advisor to the Offer (**Corporate Advisory Engagement Letter**).

(a) **Scope of Work**

IIG will assist the Company with corporate advisory services in relation to the Offer, including:

- (i) assisting with the finalisation of the commercial terms of the Acquisition;
- (ii) assisting with the satisfaction of any conditions precedent to the completion of the Acquisition;
- (iii) managing the relationship between the Company and the Burke County Vendors pending completion of the Acquisition; and
- (iv) generally, providing such other advice and assistance as the Company may reasonably request with respect to the Acquisition.

(b) **Remuneration**

If the Company's securities are reinstated to trading within 12 months of the Commencement Date, IIG will receive:

- (i) 12,000,000 Shares, which will be subject to escrow restrictions for two (2) years from the date of issue;

- (ii) a monthly retainer of \$2,000 for 12 months from the date that the Company's securities are reinstated to trading; and
- (iii) reimbursement for all reasonable out of pocket expenses incurred in connection with the engagement.

Otherwise, the Corporate Advisory Mandate contains other terms customary for an agreement of its nature.

12.9 Agreements with Directors

(a) Executive Services Agreement – Tom Fontaine

Mr Fontaine has entered into an Executive Services Agreement with the Company, the material terms of which are summarised at Section 10.4.

(b) Non-Executive Appointment Letters

Each of Messrs Marshall and Spittlehouse has entered into a non-executive letter of appointment with the Company, the material terms of which are summarised at Section 10.5.

13. ADDITIONAL INFORMATION

13.1 Litigation

The Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Rights and liabilities attaching to Shares (including Shares to be issued under the Offer)

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. The Company notes that, at the General Meeting, the Company adopted a new constitution which is of the type required for a listed public company limited by shares updated to ensure that it reflects the current provisions of the Corporations Act and most recent changes to the ASX Listing Rules (**Constitution**). The rights set out below were not amended by adoption of the Constitution and, as such, any references to the Constitution in this section refer to both the current Constitution and the previous constitution.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with section 249D of the Corporations Act and the Constitution of the Company.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of shareholders:

- (i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend rights**

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit.

(d) **Winding-up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(e) **Shareholder liability**

As the Shares under the Prospectus are fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) **Future increase in capital**

The issue of any new Shares is under the control of the Board of the Company as appointed from time to time. Subject to restrictions on the issue or grant of Securities contained in the ASX Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing Share or class of shares), the Directors may issue Shares and other Securities as they shall, in their absolute discretion, determine.

(h) **Variation of rights**

Under section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(i) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of votes validly cast for Shares at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

13.3 **Rights attaching to Options**

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.05 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 30 June 2023 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 5 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

However, the Company will ensure that, for the purposes of determining entitlements to any such issue, the beholder will be provided with at least ten business days' notice prior to the record date. This will give the holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are non-transferable (except to an Associate of the Optionholder) subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.

13.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

13.5 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;

- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

CPS Capital has acted as Lead Manager for the Company in relation to the Offer. The Company estimates it will pay CPS Capital those fees as set out in Section 12.4(b). During the 24 months preceding lodgement of this Prospectus with ASIC, CPS Capital has received \$35,000 (excluding GST) from the Company for the mandate execution fee and capital raising fees associated with the seed raising.

IIG has acted as Corporate Advisor for the Company in relation to the Offer. The Company estimates it will pay IIG those fees as set out in Section 12.8(b). During the 24 months preceding lodgement of this Prospectus with ASIC, IIG has not received any fees from the Company.

Woodchester has acted as a consultant to the Company in relation to the Offer. The Company estimates it will pay Woodchester those fees as set out in Section 12.5(b). During the 24 months preceding lodgement of this Prospectus with ASIC, Woodchester has received \$50,000 (excluding GST) from the Company, comprising \$20,000 cash and \$30,000 settled via the issue of Interim Funding Convertible Notes.

BDO Corporate Finance (WA) Pty Ltd (**BDO**) has acted as Investigating Accountant for the Company and has prepared the Independent Limited Assurance Report which is included at Section 8 of this Prospectus. The Company estimates it will pay BDO \$16,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO has received \$2,000 (excluding GST) from the Company for preparation of independent option valuations.

Netherland, Sewell & Associates, Inc. (**Netherland Sewell**) has prepared the Independent Reserves Report which is included at Annexure A of this Prospectus. The Company has paid Netherland Sewell an advance of \$29,396 (excluding GST) for these services, which is subject to adjustment when final cost is determined. During the 24 months preceding lodgement of this Prospectus with the ASIC, Netherland Sewell has not received any other fees from the Company.

Illingworth Renner Basin Law Group LLP (**IRB Law Group**) has prepared the Solicitor's Report on Title for the Company which is included at Annexure B of this Prospectus. The Company has paid IRB Law Group \$7,351 (excluding GST) and estimates it will pay a further \$7,200 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, IRB Law Group has not received any other fees from the Company.

Ernst & Young has acted as auditor of the Company. During the 24 months preceding lodgement of this Prospectus with ASIC, Ernst & Young has received \$66,270 (excluding GST) from the Company for their services.

Steinepreis Paganin has acted as the solicitors to Company in relation to the Offer under this Prospectus. The Company estimates that it will pay Steinepreis Paganin up to \$80,000 (excluding GST) for these services related to the Prospectus. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with ASIC, Steinepreis Paganin has received \$12,189 (excluding GST) from the Company for their services.

13.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as a Proposed Director, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section 13.6:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section;
- (b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

CPS Capital has given its written consent to being named as the Lead Manager to the Offer in this Prospectus. CPS Capital has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

IIG has given its written consent to being named as the Corporate Advisor to the Offer in this Prospectus. IIG has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Woodchester has given its written consent to being named as a consultant to the Offer in this Prospectus. Woodchester has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

Ernst & Young has given its written consent to being named as auditor of the Company in this Prospectus. Ernst & Young has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

BDO has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Independent Limited Assurance Report at Section 8 of this Prospectus in the form and context in which the information and report is included. BDO has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Netherland Sewell has given its written consent for the inclusion of the Independent Reserves Report at Annexure A of this Prospectus in the form and

context in which the information and report is included. Netherland Sewell has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

IRB Law Group has given its written consent for the inclusion of the Solicitor's Report on Title at Annexure B of this Prospectus in the form and context in which the information and report is included. IRB Law Group has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

TriGen Energy LLC has given its written consent for the inclusion of the Due Diligence Report annexed to the Solicitor's Report on Title at Annexure B of this Prospectus in the form and context in which the information and report is included. TriGen Energy LLC has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Automic Registry Services (**Automic**) has given its written consent to being named as share registry of the Company in this Prospectus. Automic has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

13.7 Cash Expenses of the Offer

The total cash expenses of the Offer (excluding GST) are estimated to be approximately \$634,573 based on the Minimum Subscription and \$766,237 based on the Maximum Subscription and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount \$ (Minimum Subscription)	Amount \$ (Maximum Subscription)
ASIC fees	3,206	3,206
ASX fees	58,971	70,635
Legal fees (Australia and United States)	100,000	100,000
Investigating Accountant's Fees	16,000	16,000
Independent Reserves Consultant's Fees	29,396	29,396
Lead Manager fees	315,000	435,000
Consultancy fees	102,000	102,000
Printing, Distribution and Miscellaneous	10,000	10,000
TOTAL	634,573	766,237

13.8 Continuous disclosure obligations

As the Company is admitted to ASX's Official List, the Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information is publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to

shareholders and market participants is also managed through disclosure to the ASX. In addition, the Company posts this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

13.9 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form and have fully read those documents. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.hawkleyoilandgas.com.

The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus. The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, the Application Form was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

13.10 Governing law

The Offer and the contracts formed on return of an Application Form are governed by the laws applicable in Western Australia, Australia. Each person who applies for Shares pursuant to this Prospectus submits to the non-exclusive jurisdiction of the courts of Western Australia, Australia, and the relevant appellate courts.

13.11 Financial Forecasts

The Directors and Proposed Director have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13.12 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

14. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Tom Fontaine
Managing Director
For and on behalf of
HAWKLEY OIL AND GAS LIMITED

15. GLOSSARY

Where the following terms are used in this Prospectus they have the following meanings:

Acquisition has the meaning given to it in Section 7.1.

Acquisition Agreement has the meaning given to it in Section 7.1.

Acquisition Resolutions means those resolutions referred to in Section 2.3 to be considered at the General Meeting, as described in further detail in the Notice of Meeting.

Advisor Shares means the 42,000,000 Shares to be issued to CPS Capital and IIG as part consideration for their services as lead manager and corporate advisor (respectively) with respect to the Acquisition and the Offer.

Applicant means a party that completes an Application Form and submits it to the Company in accordance with this Prospectus relating to the Offer.

Application Form means an the Public Offer Application Form or the Priority Offer Application Form (as applicable).

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the board of Directors as constituted from time to time.

Burke County Vendors means Radian Partnership Limited Partnership (USA) (an entity associated with Proposed Director Jason Spittlehouse), GCC Thurston Energy Limited Partnership (Canada), Natural Resource Advisors LLC (USA) Ralph Curton Jr, Thurston Energy Investments 2 LLC (USA) and VP5 LLC (USA), being the parties that the Company has entered into the Acquisition Agreement with for the acquisition of interests in the Project.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising means the Offer by the Company under this Prospectus and required as a condition precedent to the Acquisition.

CHESS means the Clearing House Electronic Sub-register System.

Cleansing Offer means the offer of 1,000 Shares at an issue price of \$0.03 per Share to raise \$30 pursuant to this Prospectus.

Cleansing Offer Closing Date means the closing date of the Cleansing Offer as set out in the indicative timetable in Section 3 (subject to the Company reserving the right to extend the Cleansing Offer Closing Date or close the Cleansing Offer early).

Closing Date means the closing date of the Offer as set out in the indicative timetable in Section 3 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company or **HOG** means Hawkley Oil and Gas Limited (ACN 115 712 162).

Conditional Approval means the letter issued by the ASX to the Company stating the conditions that are required to be met by the Company in order to re-comply with Chapters 1 and 2 of the ASX Listing Rules for re-quotation of its Shares on the Official List.

Conditions has the meaning set out in Section 2.3.

Consideration has the meaning given to it in Section 12.1

Consideration Shares has the meaning given to it in Section 12.1.

Consolidation means the consolidation of the Company's issued capital, being the subject of resolution 2 of the General Meeting, pursuant to which every 10 Shares will be consolidated into 1 Share.

Constitution means the Company's current constitution titled "Hawkley Oil and Gas Limited (ACN 115 712 162)" which was adopted at the General Meeting. The Constitution replaced the previous constitution (adopted in 2010) and incorporates necessary amendments to provisions relevant to the Corporations Act and ASX Listing Rules.

Corporate Advisor or **IIG** means International Island Group Pty Ltd (ACN 167 586 558).

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company at the date of this Prospectus.

Eligible Shareholders means Shareholders of the Company with a registered address in Australia or New Zealand on the Record Date and otherwise as set out in Section 25

Existing Directors means Tom Fontaine, Murray Wylie and Kane Marshall, being the directors of the Company as at the date of this Prospectus.

Existing Director Shares means the 13,000,000 Shares to be issued to the Existing Directors of the Company in consideration for additional work performed in relation to the Acquisition and the Offer.

Existing Director Options means the 6,500,000 Options to be issued to the Existing Directors of the Company in consideration for additional work performed in relation to the Acquisition and the Offer.

General Meeting or **Meeting** means the meeting convened by the Notice of Meeting, which occurred on 6 April 2020.

Independent Reserves Report means the report attached at Annexure A.

Investigating Accountant's Report means the report attached at Section 8

Lead Manager or **CPS Capital** means CPS Capital Group Pty Ltd (ACN 088 055 636) (AFSL 294 848).

Lead Manager Mandate has the meaning given to it in Section 12.4(b).

Maximum Subscription means the maximum amount to be raised under the Capital Raising, being \$7,000,000.

Minimum Subscription means the minimum amount to be raised under the Capital Raising, being \$5,000,000.

Notice of Meeting means the notice of general meeting, including the explanatory statement and proxy form, released on ASX on 28 February 2020 in relation to the General Meeting.

Offer means the Public Offer and the Priority Offer pursuant to this Prospectus of 166,666,667 Shares at an issue price of \$0.03 per Share to raise a minimum of \$5,000,000. The Company may accept oversubscriptions of a further 66,666,666 Shares at an issue price of \$0.03 per Share to raise up to a total of \$7,000,000.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Priority Offer means the offer of Shares to Eligible Shareholders on the Record Date comprising part of the Offer.

Priority Offer Application Form means the application form attached to or accompanying this Prospectus relating to the Priority Offer.

Project has the same meaning as that given in Section 7.1.

Proposed Director means Jason Spittlehouse.

Prospectus means this prospectus.

Public Offer means the offer of Shares under this Prospectus to the general public comprising part of the Offer.

Public Offer Application Form means the application form attached to or accompanying this Prospectus relating to the Public Offer.

Record Date means Sunday 5 April 2020.

Section means a section of this Prospectus.

Security has the same meaning as that given in the ASX Listing Rules.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Australian Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A – INDEPENDENT RESERVES REPORT

February 19, 2020

Mr. Tom Fontaine
Hawkey Oil and Gas Limited
Suite 3, Level 3, 1292 Hay Street
West Perth WA 6005
Australia

Dear Mr. Fontaine:

In accordance with your request, we have estimated the proved developed producing reserves and future revenue, as of December 31, 2019, to the Potential Acquisition interest in certain oil and gas properties located in Burke County, North Dakota. It is our understanding that Hawkey Oil and Gas Limited (Hawkey) plans to purchase this interest in these properties. Also as requested, we have estimated the gross (100 percent) contingent resources, as of December 31, 2019, for these properties. We completed our evaluation on or about the date of this letter. For the reserves, this report has been prepared using price and cost parameters specified by Hawkey, as discussed in subsequent paragraphs of this letter.

The estimates in this report have been prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). As presented in the 2018 PRMS, petroleum accumulations can be classified, in decreasing order of likelihood of commerciality, as reserves, contingent resources, or prospective resources. Different classifications of petroleum accumulations have varying degrees of technical and commercial risk that are difficult to quantify; thus reserves, contingent resources, and prospective resources should not be aggregated without extensive consideration of these factors. Definitions are presented immediately following this letter.

RESERVES

Reserves are those quantities of petroleum anticipated to be commercially recoverable from known accumulations by application of development projects from a given date forward under defined conditions. Reserves must be discovered, recoverable, commercial, and remaining as of the evaluation date based on the planned development projects to be applied. Proved reserves are those quantities of oil and gas which, by analysis of engineering and geoscience data, can be estimated with reasonable certainty to be commercially recoverable; probable and possible reserves are those additional reserves which are sequentially less certain to be recovered than proved reserves.

We estimate the net reserves and future net revenue to the Potential Acquisition interest in these properties, as of December 31, 2019, to be:

Category	Net Reserves			Future Net Revenue (M\$)	
	Oil (MBBL)	NGL (MBBL)	Gas (MMCF)	Total	Present Worth at 10%
Proved Developed Producing	26.8	10.3	36.9	561.5	511.2

The oil volumes shown include crude oil only. Oil and natural gas liquids (NGL) volumes are expressed in thousands of barrels (MBBL); a barrel is equivalent to 42 United States gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at standard temperature and pressure bases. Monetary values shown in this report are expressed in United States dollars (\$) or thousands of United States dollars (M\$).

Reserves categorization conveys the relative degree of certainty; reserves subcategorization is based on development and production status. Our study indicates that as of December 31, 2019, there are no proved developed non-producing, proved undeveloped, probable, or possible reserves for these properties. The estimates of reserves and future revenue included herein have not been adjusted for risk.

February 19, 2020
Page 2 of 4

Gross revenue for the reserves is the interest owner's share of the gross (100 percent) revenue from the properties prior to any deductions. Future net revenue is after deductions for the interest owner's share of production taxes, abandonment costs, and operating expenses but before consideration of any income taxes. The future net revenue has been discounted at an annual rate of 10 percent to determine its present worth, which is shown to indicate the effect of time on the value of money. Future net revenue presented in this report, whether discounted or undiscounted, should not be construed as being the fair market value of the properties.

As requested, this report has been prepared using oil, NGL, and gas price parameters specified by Hawkley. Oil and NGL prices are based on December 31, 2019, NYMEX West Texas Intermediate prices and are adjusted for quality, transportation fees, and market differentials. Gas prices are based on December 31, 2019, NYMEX Henry Hub prices and are adjusted for energy content, transportation fees, and market differentials. All prices, before adjustments, are shown in the following table:

Period Ending	Oil/NGL Price (\$/Barrel)	Gas Price (\$/MMBTU)	Period Ending	Oil/NGL Price (\$/Barrel)	Gas Price (\$/MMBTU)
2-29-2020	61.06	2.189	10-31-2020	57.29	2.346
3-31-2020	60.77	2.158	11-30-2020	56.85	2.427
4-30-2020	60.41	2.149	12-31-2020	56.44	2.603
5-31-2020	59.97	2.188	12-31-2021	54.38	2.424
6-30-2020	59.44	2.246	12-31-2022	52.09	2.420
7-31-2020	58.87	2.303	12-31-2023	51.31	2.455
8-31-2020	58.31	2.319	12-31-2024	51.44	2.492
9-30-2020	57.77	2.311	Thereafter	52.07	2.528

Operating costs used in this report are based on operating expense records of the operator of the properties, as provided by Hawkley. These costs include the per-well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Operating costs have been divided into per-well costs and per-unit-of-production costs. As requested, headquarters general and administrative overhead expenses are not included. Also as requested, operating costs are not escalated for inflation.

Abandonment costs used in this report are Hawkley's estimates of the costs to abandon the wells and production facilities, net of any salvage value. As requested, abandonment costs are not escalated for inflation.

We have made no investigation of potential volume and value imbalances resulting from overdelivery or underdelivery to the Potential Acquisition interest. Therefore, our estimates of reserves and future revenue do not include adjustments for the settlement of any such imbalances; our projections are based on the interest owner receiving its net revenue interest share of estimated future gross production. Additionally, we have made no specific investigation of any firm transportation contracts that may be in place for these properties; our estimates of future revenue include the effects of such contracts only to the extent that the associated fees are accounted for in the historical field- and lease-level accounting statements.

CONTINGENT RESOURCES

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. The contingent resources shown in this report are contingent upon the acquisition of additional technical data that demonstrate an increase in producing rates and volumes from improved

February 19, 2020
Page 3 of 4

drilling and completion techniques and commitment to develop the resources. If these contingencies are successfully addressed, some portion of the contingent resources estimated in this report may be reclassified as reserves; our estimates have not been risked to account for the possibility that the contingencies are not successfully addressed. This report does not include economic analysis for these properties. Based on analogous field developments, it appears that the best estimate contingent resources in this report have a reasonable chance of being economically viable. The project maturity subclass for these contingent resources is development pending.

We estimate the gross (100 percent) contingent resources for these properties, as of December 31, 2019, to be:

Category	Gross (100%) Contingent Resources	
	Oil (MBBL)	Gas (MMCF)
Low Estimate (1C)	4,586.9	6,880.4
Best Estimate (2C)	7,735.6	21,272.8
High Estimate (3C)	10,884.3	43,537.0

The oil volumes shown include crude oil only.

The contingent resources shown in this report have been estimated using deterministic methods. Once all contingencies have been successfully addressed, the approximate probability that the quantities of contingent resources actually recovered will equal or exceed the estimated amounts is generally inferred to be 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. The estimates of contingent resources included herein have not been adjusted for development risk.

GENERAL INFORMATION

This report does not include any value that could be attributed to interests in undeveloped acreage. For the purposes of this report, we did not perform any field inspection of the properties, nor did we examine the mechanical operation or condition of the wells and facilities. We have not investigated possible environmental liability related to the properties; therefore, our estimates do not include any costs due to such possible liability.

The reserves and contingent resources shown in this report are estimates only and should not be construed as exact quantities. Estimates may increase or decrease as a result of market conditions, future operations, changes in regulations, or actual reservoir performance. In addition to the primary economic assumptions discussed herein, our estimates are based on certain assumptions including, but not limited to, that the properties will be developed consistent with current development plans as provided to us by Hawkley, that the properties will be operated in a prudent manner, that no governmental regulations or controls will be put in place that would impact the ability of the interest owner to recover the volumes, and that our projections of future production will prove consistent with actual performance. If these volumes are recovered, the revenues therefrom and the costs related thereto could be more or less than the estimated amounts. Because of governmental policies and uncertainties of supply and demand, the sales rates, prices received, and costs incurred may vary from assumptions made while preparing this report.

For the purposes of this report, we used technical and economic data including, but not limited to, well logs, well test data, production data, historical price and cost information, and property ownership interests. The reserves and contingent resources in this report have been estimated using deterministic methods; these estimates have been prepared in accordance with generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the SPE (SPE Standards). We used standard engineering and geoscience methods, or a combination of methods, including performance analysis and analogy, that we considered to be appropriate and necessary to classify,

February 19, 2020

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categorize, and estimate volumes in accordance with the 2018 PRMS definitions and guidelines. The contingent resources shown in this report are for undeveloped locations; such volumes are based on analogy to properties with similar geologic and reservoir characteristics. As in all aspects of oil and gas evaluation, there are uncertainties inherent in the interpretation of engineering and geoscience data; therefore, our conclusions necessarily represent only informed professional judgment.

The data used in our estimates were obtained from Hawkley, public data sources, and the nonconfidential files of Netherland, Sewell & Associates, Inc. and were accepted as accurate. Supporting work data are on file in our office. We have not examined the titles to the properties or independently confirmed the actual degree or type of interest owned. The technical persons primarily responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards. We are independent petroleum engineers, geologists, geophysicists, and petrophysicists; we do not own an interest in these properties nor are we employed on a contingent basis.

Sincerely,

NETHERLAND, SEWELL & ASSOCIATES, INC.
Texas Registered Engineering Firm F-2699

/s/ C.H. (Scott) Rees III

By:

C.H. (Scott) Rees III, P.E.
Chairman and Chief Executive Officer

/s/ Neil H. Little

By:

Neil H. Little, P.E. 117966
Vice President

/s/ Zachary R. Long

By:

Zachary R. Long, P.G. 11792
Vice President

Date Signed: February 19, 2020

Date Signed: February 19, 2020

WKB:MAG

Please be advised that the digital document you are viewing is provided by Netherland, Sewell & Associates, Inc. (NSAI) as a convenience to our clients. The digital document is intended to be substantively the same as the original signed document maintained by NSAI. The digital document is subject to the parameters, limitations, and conditions stated in the original document. In the event of any differences between the digital document and the original document, the original document shall control and supersede the digital document.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

This document contains information excerpted from definitions and guidelines prepared by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) and reviewed and jointly sponsored by the SPE, World Petroleum Council, American Association of Petroleum Geologists, Society of Petroleum Evaluation Engineers, Society of Exploration Geophysicists, Society of Petrophysicists and Well Log Analysts, and European Association of Geoscientists & Engineers.

Preamble

Petroleum resources are the quantities of hydrocarbons naturally occurring on or within the Earth's crust. Resources assessments estimate quantities in known and yet-to-be-discovered accumulations. Resources evaluations are focused on those quantities that can potentially be recovered and marketed by commercial projects. A petroleum resources management system provides a consistent approach to estimating petroleum quantities, evaluating projects, and presenting results within a comprehensive classification framework.

This updated PRMS provides fundamental principles for the evaluation and classification of petroleum reserves and resources. If there is any conflict with prior SPE and PRMS guidance, approved training, or the Application Guidelines, the current PRMS shall prevail. It is understood that these definitions and guidelines allow flexibility for entities, governments, and regulatory agencies to tailor application for their particular needs; however, any modifications to the guidance contained herein must be clearly identified. The terms "shall" or "must" indicate that a provision herein is mandatory for PRMS compliance, while "should" indicates a recommended practice and "may" indicates that a course of action is permissible. The definitions and guidelines contained in this document must not be construed as modifying the interpretation or application of any existing regulatory reporting requirements.

1.0 Basic Principles and Definitions

1.0.0.1 A classification system of petroleum resources is a fundamental element that provides a common language for communicating both the confidence of a project's resources maturation status and the range of potential outcomes to the various entities. The PRMS provides transparency by requiring the assessment of various criteria that allow for the classification and categorization of a project's resources. The evaluation elements consider the risk of geologic discovery and the technical uncertainties together with a determination of the chance of achieving the commercial maturation status of a petroleum project.

1.0.0.2 The technical estimation of petroleum resources quantities involves the assessment of quantities and values that have an inherent degree of uncertainty. These quantities are associated with exploration, appraisal, and development projects at various stages of design and implementation. The commercial aspects considered will relate the project's maturity status (e.g., technical, economical, regulatory, and legal) to the chance of project implementation.

1.0.0.3 The use of a consistent classification system enhances comparisons between projects, groups of projects, and total company portfolios. The application of PRMS must consider both technical and commercial factors that impact the project's feasibility, its productive life, and its related cash flows.

1.1 Petroleum Resources Classification Framework

1.1.0.1 Petroleum is defined as a naturally occurring mixture consisting of hydrocarbons in the gaseous, liquid, or solid state. Petroleum may also contain non-hydrocarbons, common examples of which are carbon dioxide, nitrogen, hydrogen sulfide, and sulfur. In rare cases, non-hydrocarbon content can be greater than 50%.

1.1.0.2 The term resources as used herein is intended to encompass all quantities of petroleum naturally occurring within the Earth's crust, both discovered and undiscovered (whether recoverable or unrecoverable), plus those quantities already produced. Further, it includes all types of petroleum whether currently considered as conventional or unconventional resources.

1.1.0.3 Figure 1.1 graphically represents the PRMS resources classification system. The system classifies resources into discovered and undiscovered and defines the recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable Petroleum.

1.1.0.4 The horizontal axis reflects the range of uncertainty of estimated quantities potentially recoverable from an accumulation by a project, while the vertical axis represents the chance of commerciality, P_c , which is the chance that a project will be committed for development and reach commercial producing status.

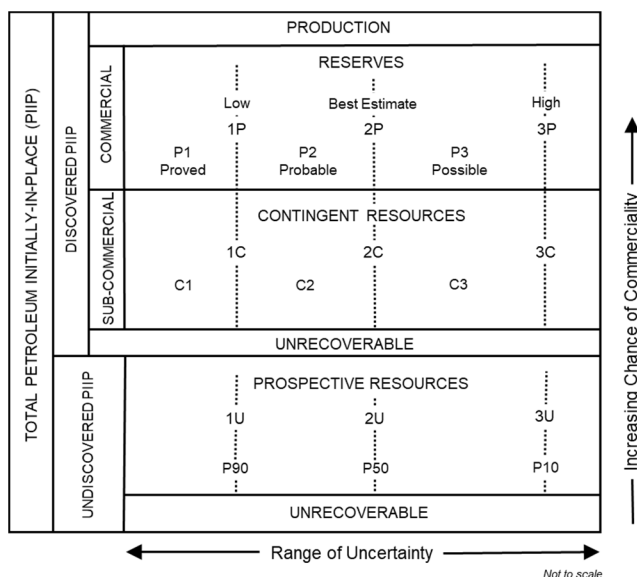


Figure 1.1—Resources classification framework

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

1.1.0.5 The following definitions apply to the major subdivisions within the resources classification:

- A. **Total Petroleum Initially-In-Place (PIIP)** is all quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, discovered and undiscovered, before production.
- B. **Discovered PIIP** is the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations before production.
- C. **Production** is the cumulative quantities of petroleum that have been recovered at a given date. While all recoverable resources are estimated, and production is measured in terms of the sales product specifications, raw production (sales plus non-sales) quantities are also measured and required to support engineering analyses based on reservoir voidage (see Section 3.2, Production Measurement).

1.1.0.6 Multiple development projects may be applied to each known or unknown accumulation, and each project will be forecast to recover an estimated portion of the initially-in-place quantities. The projects shall be subdivided into commercial, sub-commercial, and undiscovered, with the estimated recoverable quantities being classified as Reserves, Contingent Resources, or Prospective Resources respectively, as defined below.

- A. 1. **Reserves** are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining (as of the evaluation's effective date) based on the development project(s) applied.
 - 2. Reserves are recommended as sales quantities as metered at the reference point. Where the entity also recognizes quantities consumed in operations (CiO) (see Section 3.2.2), as Reserves these quantities must be recorded separately. Non-hydrocarbon quantities are recognized as Reserves only when sold together with hydrocarbons or CiO associated with petroleum production. If the non-hydrocarbon is separated before sales, it is excluded from Reserves.
 - 3. Reserves are further categorized in accordance with the range of uncertainty and should be sub-classified based on project maturity and/or characterized by development and production status.
- B. **Contingent Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. Contingent Resources have an associated chance of development. Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the range of uncertainty associated with the estimates and should be sub-classified based on project maturity and/or economic status.
- C. **Undiscovered PIIP** is that quantity of petroleum estimated, as of a given date, to be contained within accumulations yet to be discovered.
- D. **Prospective Resources** are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of geologic discovery and a chance of development. Prospective Resources are further categorized in accordance with the range of uncertainty associated with recoverable estimates, assuming discovery and development, and may be sub-classified based on project maturity.
- E. **Unrecoverable Resources** are that portion of either discovered or undiscovered PIIP evaluated, as of a given date, to be unrecoverable by the currently defined project(s). A portion of these quantities may become recoverable in the future as commercial circumstances change, technology is developed, or additional data are acquired. The remaining portion may never be recovered because of physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

1.1.0.7 The sum of Reserves, Contingent Resources, and Prospective Resources may be referred to as "remaining recoverable resources." Importantly, these quantities should not be aggregated without due consideration of the technical and commercial risk involved with their classification. When such terms are used, each classification component of the summation must be provided.

1.1.0.8 Other terms used in resource assessments include the following:

- A. **Estimated Ultimate Recovery (EUR)** is not a resources category or class, but a term that can be applied to an accumulation or group of accumulations (discovered or undiscovered) to define those quantities of petroleum estimated, as of a given date, to be potentially recoverable plus those quantities already produced from the accumulation or group of accumulations. For clarity, EUR must reference the associated technical and commercial conditions for the resources; for example, proved EUR is Proved Reserves plus prior production.
- B. **Technically Recoverable Resources (TRR)** are those quantities of petroleum producible using currently available technology and industry practices, regardless of commercial considerations. TRR may be used for specific Projects or for groups of Projects, or, can be an undifferentiated estimate within an area (often basin-wide) of recovery potential.

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
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1.2 Project-Based Resources Evaluations

1.2.0.1 The resources evaluation process consists of identifying a recovery project or projects associated with one or more petroleum accumulations, estimating the quantities of PIIP, estimating that portion of those in-place quantities that can be recovered by each project, and classifying the project(s) based on maturity status or chance of commerciality.

1.2.0.2 The concept of a project-based classification system is further clarified by examining the elements contributing to an evaluation of net recoverable resources (see Figure 1.2).

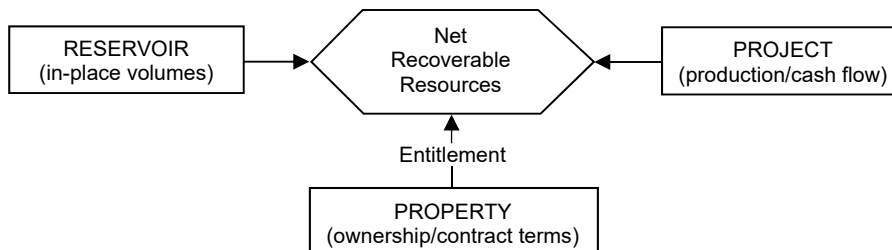


Figure 1.2—Resources evaluation

1.2.0.3 **The reservoir** (contains the petroleum accumulation): Key attributes include the types and quantities of PIIP and the fluid and rock properties that affect petroleum recovery.

1.2.0.4 **The project:** A project may constitute the development of a well, a single reservoir, or a small field; an incremental development in a producing field; or the integrated development of a field or several fields together with the associated processing facilities (e.g., compression). Within a project, a specific reservoir's development generates a unique production and cash-flow schedule at each level of certainty. The integration of these schedules taken to the project's earliest truncation caused by technical, economic, or the contractual limit defines the estimated recoverable resources and associated future net cash flow projections for each project. The ratio of EUR to total PIIP quantities defines the project's recovery efficiency. Each project should have an associated recoverable resources range (low, best, and high estimate).

1.2.0.5 **The property** (lease or license area): Each property may have unique associated contractual rights and obligations, including the fiscal terms. This information allows definition of each participating entity's share of produced quantities (entitlement) and share of investments, expenses, and revenues for each recovery project and the reservoir to which it is applied. One property may encompass many reservoirs, or one reservoir may span several different properties. A property may contain both discovered and undiscovered accumulations that may be spatially unrelated to a potential single field designation.

1.2.0.6 An entity's net recoverable resources are the entitlement share of future production legally accruing under the terms of the development and production contract or license.

1.2.0.7 In the context of this relationship, the project is the primary element considered in the resources classification, and the net recoverable resources are the quantities derived from each project. A project represents a defined activity or set of activities to develop the petroleum accumulation(s) and the decisions taken to mature the resources to reserves. In general, it is recommended that an individual project has assigned to it a specific maturity level sub-class (See Section 2.1.3.5, Project Maturity Sub-Classes) at which a decision is made whether or not to proceed (i.e., spend more money) and there should be an associated range of estimated recoverable quantities for the project (See Section 2.2.1, Range of Uncertainty). For completeness, a developed field is also considered to be a project.

1.2.0.8 An accumulation or potential accumulation of petroleum is often subject to several separate and distinct projects that are at different stages of exploration or development. Thus, an accumulation may have recoverable quantities in several resources classes simultaneously.

1.2.0.10 Not all technically feasible development projects will be commercial. The commercial viability of a development project within a field's development plan is dependent on a forecast of the conditions that will exist during the time period encompassed by the project (see Section 3.1, Assessment of Commerciality). Conditions include technical, economic (e.g., hurdle rates, commodity prices), operating and capital costs, marketing, sales route(s), and legal, environmental, social, and governmental factors forecast to exist and impact the project during the time period being evaluated. While economic factors can be summarized as forecast costs and product prices, the underlying influences include, but are not limited to, market conditions (e.g., inflation, market factors, and contingencies), exchange rates, transportation and processing infrastructure, fiscal terms, and taxes.

1.2.0.11 The resources being estimated are those quantities producible from a project as measured according to delivery specifications at the point of sale or custody transfer (see Section 3.2.1, Reference Point) and may permit forecasts of CiO quantities (see Section 3.2.2., Consumed in Operations). The cumulative production forecast from the effective date forward to cessation of production is the remaining recoverable resources quantity (see Section 3.1.1, Net Cash-Flow Evaluation).

PETROLEUM RESERVES AND RESOURCES CLASSIFICATION AND DEFINITIONS

Excerpted from the Petroleum Resources Management System Approved by
the Society of Petroleum Engineers (SPE) Board of Directors, June 2018

1.2.0.12 The supporting data, analytical processes, and assumptions describing the technical and commercial basis used in an evaluation must be documented in sufficient detail to allow, as needed, a qualified reserves evaluator or qualified reserves auditor to clearly understand each project's basis for the estimation, categorization, and classification of recoverable resources quantities and, if appropriate, associated commercial assessment.

2.0 Classification and Categorization Guidelines

2.1 Resources Classification

2.1.0.1 The PRMS classification establishes criteria for the classification of the total PIIP. A determination of a discovery differentiates between discovered and undiscovered PIIP. The application of a project further differentiates the recoverable from unrecoverable resources. The project is then evaluated to determine its maturity status to allow the classification distinction between commercial and sub-commercial projects. PRMS requires the project's recoverable resources quantities to be classified as either Reserves, Contingent Resources, or Prospective Resources.

2.1.1 Determination of Discovery Status

2.1.1.1 A discovered petroleum accumulation is determined to exist when one or more exploratory wells have established through testing, sampling, and/or logging the existence of a significant quantity of potentially recoverable hydrocarbons and thus have established a known accumulation. In the absence of a flow test or sampling, the discovery determination requires confidence in the presence of hydrocarbons and evidence of producibility, which may be supported by suitable producing analogs (see Section 4.1.1, Analogs). In this context, "significant" implies that there is evidence of a sufficient quantity of petroleum to justify estimating the in-place quantity demonstrated by the well(s) and for evaluating the potential for commercial recovery.

2.1.1.2 Where a discovery has identified potentially recoverable hydrocarbons, but it is not considered viable to apply a project with established technology or with technology under development, such quantities may be classified as Discovered Unrecoverable with no Contingent Resources. In future evaluations, as appropriate for petroleum resources management purposes, a portion of these unrecoverable quantities may become recoverable resources as either commercial circumstances change or technological developments occur.

2.1.2 Determination of Commerciality

2.1.2.1 Discovered recoverable quantities (Contingent Resources) may be considered commercially mature, and thus attain Reserves classification, if the entity claiming commerciality has demonstrated a firm intention to proceed with development. This means the entity has satisfied the internal decision criteria (typically rate of return at or above the weighted average cost-of-capital or the hurdle rate). Commerciality is achieved with the entity's commitment to the project and all of the following criteria:

- A. Evidence of a technically mature, feasible development plan.
- B. Evidence of financial appropriations either being in place or having a high likelihood of being secured to implement the project.
- C. Evidence to support a reasonable time-frame for development.
- D. A reasonable assessment that the development projects will have positive economics and meet defined investment and operating criteria. This assessment is performed on the estimated entitlement forecast quantities and associated cash flow on which the investment decision is made (see Section 3.1.1, Net Cash-Flow Evaluation).
- E. A reasonable expectation that there will be a market for forecast sales quantities of the production required to justify development. There should also be similar confidence that all produced streams (e.g., oil, gas, water, CO₂) can be sold, stored, re-injected, or otherwise appropriately disposed.
- F. Evidence that the necessary production and transportation facilities are available or can be made available.
- G. Evidence that legal, contractual, environmental, regulatory, and government approvals are in place or will be forthcoming, together with resolving any social and economic concerns.

2.1.2.2 The commerciality test for Reserves determination is applied to the best estimate (P50) forecast quantities, which upon qualifying all commercial and technical maturity criteria and constraints become the 2P Reserves. Stricter cases [e.g., low estimate (P90)] may be used for decision purposes or to investigate the range of commerciality (see Section 3.1.2, Economic Criteria). Typically, the low- and high-case project scenarios may be evaluated for sensitivities when considering project risk and upside opportunity.

2.1.2.3 To be included in the Reserves class, a project must be sufficiently defined to establish both its technical and commercial viability as noted in Section 2.1.2.1. There must be a reasonable expectation that all required internal and external approvals will be forthcoming and evidence of firm intention to proceed with development within a reasonable time-frame. A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where justifiable; for example, development of economic projects that take longer than five years to be developed or are deferred to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.

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2.1.2.4 While PRMS guidelines require financial appropriations evidence, they do not require that project financing be confirmed before classifying projects as Reserves. However, this may be another external reporting requirement. In many cases, financing is conditional upon the same criteria as above. In general, if there is not a reasonable expectation that financing or other forms of commitment (e.g., farm-outs) can be arranged so that the development will be initiated within a reasonable time-frame, then the project should be classified as Contingent Resources. If financing is reasonably expected to be in place at the time of the final investment decision (FID), the project's resources may be classified as Reserves.

2.2 Resources Categorization

2.2.0.1 The horizontal axis in the resources classification in Figure 1.1 defines the range of uncertainty in estimates of the quantities of recoverable, or potentially recoverable, petroleum associated with a project or group of projects. These estimates include the uncertainty components as follows:

- A. The total petroleum remaining within the accumulation (in-place resources).
- B. The technical uncertainty in the portion of the total petroleum that can be recovered by applying a defined development project or projects (i.e., the technology applied).
- C. Known variations in the commercial terms that may impact the quantities recovered and sold (e.g., market availability; contractual changes, such as production rate tiers or product quality specifications) are part of project's scope and are included in the horizontal axis, while the chance of satisfying the commercial terms is reflected in the classification (vertical axis).

2.2.0.2 The uncertainty in a project's recoverable quantities is reflected by the 1P, 2P, 3P, Proved (P1), Probable (P2), Possible (P3), 1C, 2C, 3C, C1, C2, and C3; or 1U, 2U, and 3U resources categories. The commercial chance of success is associated with resources classes or sub-classes and not with the resources categories reflecting the range of recoverable quantities.

2.2.1 Range of Uncertainty

2.2.1.1 Uncertainty is inherent in a project's resources estimation and is communicated in PRMS by reporting a range of category outcomes. The range of uncertainty of the recoverable and/or potentially recoverable quantities may be represented by either deterministic scenarios or by a probability distribution (see Section 4.2, Resources Assessment Methods).

2.2.1.2 When the range of uncertainty is represented by a probability distribution, a low, best, and high estimate shall be provided such that:

- A. There should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.
- B. There should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.
- C. There should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

2.2.1.3 In some projects, the range of uncertainty may be limited, and the three scenarios may result in resources estimates that are not significantly different. In these situations, a single value estimate may be appropriate to describe the expected result.

2.2.1.4 When using the deterministic scenario method, typically there should also be low, best, and high estimates, where such estimates are based on qualitative assessments of relative uncertainty using consistent interpretation guidelines. Under the deterministic incremental method, quantities for each confidence segment are estimated discretely (see Section 2.2.2, Category Definitions and Guidelines).

2.2.1.5 Project resources are initially estimated using the above uncertainty range forecasts that incorporate the subsurface elements together with technical constraints related to wells and facilities. The technical forecasts then have additional commercial criteria applied (e.g., economics and license cutoffs are the most common) to estimate the entitlement quantities attributed and the resources classification status: Reserves, Contingent Resources, and Prospective Resources.

2.2.2 Category Definitions and Guidelines

2.2.2.1 Evaluators may assess recoverable quantities and categorize results by uncertainty using the deterministic incremental method, the deterministic scenario (cumulative) method, geostatistical methods, or probabilistic methods (see Section 4.2, Resources Assessment Methods). Also, combinations of these methods may be used.

2.2.2.2 Use of consistent terminology (Figures 1.1 and 2.1) promotes clarity in communication of evaluation results. For Reserves, the general cumulative terms low/best/high forecasts are used to estimate the resulting 1P/2P/3P quantities, respectively. The associated incremental quantities are termed Proved (P1), Probable (P2) and Possible (P3). Reserves are a subset of, and must be viewed within the context of, the complete resources classification system. While the categorization criteria are proposed specifically for Reserves, in most cases, the criteria can be equally applied to Contingent and Prospective Resources. Upon satisfying the commercial maturity criteria for discovery and/or development, the project quantities will then move to the appropriate resources sub-class. Table 3 provides criteria for the Reserves categories determination.

2.2.2.3 For Contingent Resources, the general cumulative terms low/best/high estimates are used to estimate the resulting 1C/2C/3C quantities, respectively. The terms C1, C2, and C3 are defined for incremental quantities of Contingent Resources.

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2.2.2.4 For Prospective Resources, the general cumulative terms low/best/high estimates also apply and are used to estimate the resulting 1U/2U/3U quantities. No specific terms are defined for incremental quantities within Prospective Resources.

2.2.2.5 Quantities in different classes and sub-classes cannot be aggregated without considering the varying degrees of technical uncertainty and commercial likelihood involved with the classification(s) and without considering the degree of dependency between them (see Section 4.2.1, Aggregating Resources Classes).

2.2.2.6 Without new technical information, there should be no change in the distribution of technically recoverable resources and the categorization boundaries when conditions are satisfied to reclassify a project from Contingent Resources to Reserves.

2.2.2.7 All evaluations require application of a consistent set of forecast conditions, including assumed future costs and prices, for both classification of projects and categorization of estimated quantities recovered by each project (see Section 3.1, Assessment of Commerciality).

Table 1—Recoverable Resources Classes and Sub-Classes

Class/Sub-Class	Definition	Guidelines
Reserves	Reserves are those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions.	<p>Reserves must satisfy four criteria: discovered, recoverable, commercial, and remaining based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the development and production status.</p> <p>To be included in the Reserves class, a project must be sufficiently defined to establish its commercial viability (see Section 2.1.2, Determination of Commerciality). This includes the requirement that there is evidence of firm intention to proceed with development within a reasonable time-frame.</p> <p>A reasonable time-frame for the initiation of development depends on the specific circumstances and varies according to the scope of the project. While five years is recommended as a benchmark, a longer time-frame could be applied where, for example, development of an economic project is deferred at the option of the producer for, among other things, market-related reasons or to meet contractual or strategic objectives. In all cases, the justification for classification as Reserves should be clearly documented.</p> <p>To be included in the Reserves class, there must be a high confidence in the commercial maturity and economic producibility of the reservoir as supported by actual production or formation tests. In certain cases, Reserves may be assigned on the basis of well logs and/or core analysis that indicate that the subject reservoir is hydrocarbon-bearing and is analogous to reservoirs in the same area that are producing or have demonstrated the ability to produce on formation tests.</p>
On Production	The development project is currently producing or capable of producing and selling petroleum to market.	<p>The key criterion is that the project is receiving income from sales, rather than that the approved development project is necessarily complete. Includes Developed Producing Reserves.</p> <p>The project decision gate is the decision to initiate or continue economic production from the project.</p>
Approved for Development	All necessary approvals have been obtained, capital funds have been committed, and implementation of the development project is ready to begin or is under way.	<p>At this point, it must be certain that the development project is going ahead. The project must not be subject to any contingencies, such as outstanding regulatory approvals or sales contracts. Forecast capital expenditures should be included in the reporting entity's current or following year's approved budget.</p> <p>The project decision gate is the decision to start investing capital in the construction of production facilities and/or drilling development wells.</p>

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Class/Sub-Class	Definition	Guidelines
Justified for Development	Implementation of the development project is justified on the basis of reasonable forecast commercial conditions at the time of reporting, and there are reasonable expectations that all necessary approvals/contracts will be obtained.	<p>To move to this level of project maturity, and hence have Reserves associated with it, the development project must be commercially viable at the time of reporting (see Section 2.1.2, Determination of Commerciality) and the specific circumstances of the project. All participating entities have agreed and there is evidence of a committed project (firm intention to proceed with development within a reasonable time-frame). There must be no known contingencies that could preclude the development from proceeding (see Reserves class).</p> <p>The project decision gate is the decision by the reporting entity and its partners, if any, that the project has reached a level of technical and commercial maturity sufficient to justify proceeding with development at that point in time.</p>
Contingent Resources	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies.	<p>Contingent Resources may include, for example, projects for which there are currently no viable markets, where commercial recovery is dependent on technology under development, where evaluation of the accumulation is insufficient to clearly assess commerciality, where the development plan is not yet approved, or where regulatory or social acceptance issues may exist.</p> <p>Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by the economic status.</p>
Development Pending	A discovered accumulation where project activities are ongoing to justify commercial development in the foreseeable future.	<p>The project is seen to have reasonable potential for eventual commercial development, to the extent that further data acquisition (e.g., drilling, seismic data) and/or evaluations are currently ongoing with a view to confirming that the project is commercially viable and providing the basis for selection of an appropriate development plan. The critical contingencies have been identified and are reasonably expected to be resolved within a reasonable time-frame. Note that disappointing appraisal/evaluation results could lead to a reclassification of the project to On Hold or Not Viable status.</p> <p>The project decision gate is the decision to undertake further data acquisition and/or studies designed to move the project to a level of technical and commercial maturity at which a decision can be made to proceed with development and production.</p>
Development on Hold	A discovered accumulation where project activities are on hold and/or where justification as a commercial development may be subject to significant delay.	<p>The project is seen to have potential for commercial development. Development may be subject to a significant time delay. Note that a change in circumstances, such that there is no longer a probable chance that a critical contingency can be removed in the foreseeable future, could lead to a reclassification of the project to Not Viable status.</p> <p>The project decision gate is the decision to either proceed with additional evaluation designed to clarify the potential for eventual commercial development or to temporarily suspend or delay further activities pending resolution of external contingencies.</p>
Development Unclassified	A discovered accumulation where project activities are under evaluation and where justification as a commercial development is unknown based on available information.	<p>The project is seen to have potential for eventual commercial development, but further appraisal/evaluation activities are ongoing to clarify the potential for eventual commercial development.</p> <p>This sub-class requires active appraisal or evaluation and should not be maintained without a plan for future evaluation. The sub-class should reflect the actions required to move a project toward commercial maturity and economic production.</p>

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Class/Sub-Class	Definition	Guidelines
Development Not Viable	A discovered accumulation for which there are no current plans to develop or to acquire additional data at the time because of limited production potential.	The project is not seen to have potential for eventual commercial development at the time of reporting, but the theoretically recoverable quantities are recorded so that the potential opportunity will be recognized in the event of a major change in technology or commercial conditions. The project decision gate is the decision not to undertake further data acquisition or studies on the project for the foreseeable future.
Prospective Resources	Those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.	Potential accumulations are evaluated according to the chance of geologic discovery and, assuming a discovery, the estimated quantities that would be recoverable under defined development projects. It is recognized that the development programs will be of significantly less detail and depend more heavily on analog developments in the earlier phases of exploration.
Prospect	A project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.	Project activities are focused on assessing the chance of geologic discovery and, assuming discovery, the range of potential recoverable quantities under a commercial development program.
Lead	A project associated with a potential accumulation that is currently poorly defined and requires more data acquisition and/or evaluation to be classified as a Prospect.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to confirm whether or not the Lead can be matured into a Prospect. Such evaluation includes the assessment of the chance of geologic discovery and, assuming discovery, the range of potential recovery under feasible development scenarios.
Play	A project associated with a prospective trend of potential prospects, but that requires more data acquisition and/or evaluation to define specific Leads or Prospects.	Project activities are focused on acquiring additional data and/or undertaking further evaluation designed to define specific Leads or Prospects for more detailed analysis of their chance of geologic discovery and, assuming discovery, the range of potential recovery under hypothetical development scenarios.

Table 2—Reserves Status Definitions and Guidelines

Status	Definition	Guidelines
Developed Reserves	Expected quantities to be recovered from existing wells and facilities.	Reserves are considered developed only after the necessary equipment has been installed, or when the costs to do so are relatively minor compared to the cost of a well. Where required facilities become unavailable, it may be necessary to reclassify Developed Reserves as Undeveloped. Developed Reserves may be further sub-classified as Producing or Non-producing.
Developed Producing Reserves	Expected quantities to be recovered from completion intervals that are open and producing at the effective date of the estimate.	Improved recovery Reserves are considered producing only after the improved recovery project is in operation.
Developed Non-Producing Reserves	Shut-in and behind-pipe Reserves.	Shut-in Reserves are expected to be recovered from (1) completion intervals that are open at the time of the estimate but which have not yet started producing, (2) wells which were shut-in for market conditions or pipeline connections, or (3) wells not capable of production for mechanical reasons. Behind-pipe Reserves are expected to be recovered from zones in existing wells that will require additional completion work or future re-completion before start of production with minor cost to access these reserves. In all cases, production can be initiated or restored with relatively low expenditure compared to the cost of drilling a new well.

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Status	Definition	Guidelines
Undeveloped Reserves	Quantities expected to be recovered through future significant investments.	Undeveloped Reserves are to be produced (1) from new wells on undrilled acreage in known accumulations, (2) from deepening existing wells to a different (but known) reservoir, (3) from infill wells that will increase recovery, or (4) where a relatively large expenditure (e.g., when compared to the cost of drilling a new well) is required to (a) recomplete an existing well or (b) install production or transportation facilities for primary or improved recovery projects.

Table 3—Reserves Category Definitions and Guidelines

Category	Definition	Guidelines
Proved Reserves	Those quantities of petroleum that, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable from a given date forward from known reservoirs and under defined economic conditions, operating methods, and government regulations.	<p>If deterministic methods are used, the term "reasonable certainty" is intended to express a high degree of confidence that the quantities will be recovered. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the estimate.</p> <p>The area of the reservoir considered as Proved includes (1) the area delineated by drilling and defined by fluid contacts, if any, and (2) adjacent undrilled portions of the reservoir that can reasonably be judged as continuous with it and commercially productive on the basis of available geoscience and engineering data.</p> <p>In the absence of data on fluid contacts, Proved quantities in a reservoir are limited by the LKH as seen in a well penetration unless otherwise indicated by definitive geoscience, engineering, or performance data. Such definitive information may include pressure gradient analysis and seismic indicators. Seismic data alone may not be sufficient to define fluid contacts for Proved reserves.</p> <p>Reserves in undeveloped locations may be classified as Proved provided that:</p> <ul style="list-style-type: none"> A. The locations are in undrilled areas of the reservoir that can be judged with reasonable certainty to be commercially mature and economically productive. B. Interpretations of available geoscience and engineering data indicate with reasonable certainty that the objective formation is laterally continuous with drilled Proved locations. <p>For Proved Reserves, the recovery efficiency applied to these reservoirs should be defined based on a range of possibilities supported by analogs and sound engineering judgment considering the characteristics of the Proved area and the applied development program.</p>
Probable Reserves	Those additional Reserves that analysis of geoscience and engineering data indicates are less likely to be recovered than Proved Reserves but more certain to be recovered than Possible Reserves.	<p>It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated Proved plus Probable Reserves (2P). In this context, when probabilistic methods are used, there should be at least a 50% probability that the actual quantities recovered will equal or exceed the 2P estimate.</p> <p>Probable Reserves may be assigned to areas of a reservoir adjacent to Proved where data control or interpretations of available data are less certain. The interpreted reservoir continuity may not meet the reasonable certainty criteria.</p> <p>Probable estimates also include incremental recoveries associated with project recovery efficiencies beyond that assumed for Proved.</p>

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Category	Definition	Guidelines
Possible Reserves	Those additional reserves that analysis of geoscience and engineering data indicates are less likely to be recoverable than Probable Reserves.	<p>The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible (3P), which is equivalent to the high-estimate scenario. When probabilistic methods are used, there should be at least a 10% probability (P10) that the actual quantities recovered will equal or exceed the 3P estimate.</p> <p>Possible Reserves may be assigned to areas of a reservoir adjacent to Proved where data control and interpretations of available data are progressively less certain. Frequently, this may be in areas where geoscience and engineering data are unable to clearly define the area and vertical reservoir limits of economic production from the reservoir by a defined, commercially mature project.</p> <p>Possible estimates also include incremental quantities associated with project recovery efficiencies beyond that assumed for Probable.</p>
Probable and Possible Reserves	See above for separate criteria for Probable Reserves and Possible Reserves.	<p>The 2P and 3P estimates may be based on reasonable alternative technical interpretations within the reservoir and/or subject project that are clearly documented, including comparisons to results in successful similar projects.</p> <p>In conventional accumulations, Probable and/or Possible Reserves may be assigned where geoscience and engineering data identify directly adjacent portions of a reservoir within the same accumulation that may be separated from Proved areas by minor faulting or other geological discontinuities and have not been penetrated by a wellbore but are interpreted to be in communication with the known (Proved) reservoir. Probable or Possible Reserves may be assigned to areas that are structurally higher than the Proved area. Possible (and in some cases, Probable) Reserves may be assigned to areas that are structurally lower than the adjacent Proved or 2P area.</p> <p>Caution should be exercised in assigning Reserves to adjacent reservoirs isolated by major, potentially sealing faults until this reservoir is penetrated and evaluated as commercially mature and economically productive. Justification for assigning Reserves in such cases should be clearly documented. Reserves should not be assigned to areas that are clearly separated from a known accumulation by non-productive reservoir (i.e., absence of reservoir, structurally low reservoir, or negative test results); such areas may contain Prospective Resources.</p> <p>In conventional accumulations, where drilling has defined a highest known oil elevation and there exists the potential for an associated gas cap, Proved Reserves of oil should only be assigned in the structurally higher portions of the reservoir if there is reasonable certainty that such portions are initially above bubble point pressure based on documented engineering analyses. Reservoir portions that do not meet this certainty may be assigned as Probable and Possible oil and/or gas based on reservoir fluid properties and pressure gradient interpretations.</p>

QPRRE Consent Form

Pursuant to the requirements of ASX Listing Rules 5.42 and 5.44.

Reporting entity's name	Hawkley Oil and Gas Limited (ACN 115 712 162) ("Hawkley")
Name of qualified petroleum reserves and resources evaluator ("QPRRE") to which this consent relates	Neil H. Little
Name of professional organisation to which the QPRRE is a member ("Organisation")*	Society of Petroleum Engineers
QPRRE's employer	Netherland, Sewell & Associates, Inc.
Name of report / annual report to be publically released by Hawkley (the "Prospectus")	Prospectus
Petroleum Reserves / Contingent Resources / Prospective Resources estimates in the Prospectus to which the QPRRE's consent relates ("Estimates")	Petroleum Reserves and Contingent Resources

Declaration and Consent

With respect to the Estimates and Prospectus described above, I declare the following:

1. I am, and I satisfy the requirements of being, a QPRRE and in particular:
 - a. I hold a bachelors or advanced degree in petroleum engineering, geology, geophysics or other discipline of engineering or physical science;
 - b. I have at least 5 years' practical experience in petroleum engineering, petroleum production geology or petroleum geology including at least 3 years' experience in the evaluation and estimation of Petroleum Reserves, Contingent Resources and Prospective Resources; and
 - c. I am a member of good standing of the Organisation* described above;
2. I confirm that the Estimates were either prepared by me or were prepared under my supervision;
3. I consent to the form and context in which the Estimates and supporting information are presented in the Prospectus (if applicable); and
4. I consent to my name being published in the Prospectus in relation to the preparation, or the supervision of the preparation, of the Estimates and my role as a QPRRE (if applicable).

/s/ Neil H. Little
(Signature of QPRRE)

April 3, 2020
(Date)

* The Organisation must be an organisation of engineers, geologists or other geoscientists whose professional practice includes Petroleum Reserves, Contingent Resources and Prospective Resources evaluations and/or audits and such organisation must have disciplinary powers, including the power to suspend or expel a member.

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ANNEXURE B - SOLICITOR'S REPORT ON TITLE

William C. Illingworth
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Matthew J. Latowski
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March 9, 2020

Mr. Thomas Fontaine
Hawkley Oil & Gas Limited
Suite 3, Level 3
1292 Hay Street, WEST PERTH WA 6005
GPO Box 2870, WEST PERTH WA 6872
Australia

**RE: LEASEHOLD ACQUISITION
BURKE COUNTY, NORTH DAKOTA
BASIN LAW GROUP LLP CLIENT AND MATTER NO.: 00254/11516**

Dear Mr. Fontaine,

This report is provided pursuant to your request to review title on certain oil and gas leasehold assets in Burke County, North Dakota. This letter is, in part, to update and supplement a prior letter assessment dated June 19, 2017 (the "2017 Report"), prepared for Radian Partnership LP, Israel Opportunity Energy Resources LP and C.O. Cypress Opportunity Energy Public Limited. Radian Partnership LP has provided the June 2017 Report for an updated analysis for the instant matter. A copy of the 2017 Report is attached hereto at Tab A.

The 2017 Report concerned the status of title immediately prior to the execution of a certain Farmout Agreement by and between Thurston Energy Investments 2, LLC, Ralph Curton, Jr., and GCC Thurston Energy Limited Partnership, as Farmors, to Radian Partnership, LP, Israel Opportunity Energy Inc., C.O. Cyprus Opportunity Energy Public Company Limited, as Farmees, effective June 1, 2017. A memorandum of the Farmout Agreement was recorded in Burke County, North Dakota on as July 20, 2017, as Document No. 263522.

The 2017 Report and this report are limited to a review of the following wells:

Crystal 44-18H
Fortification 11-19H
Mesa 11-31H
Mesa 13-29H

Mesa 24-2H
Mesa 44-10H
Poudre 44-18H
Wildhorse 11-24H

The purpose of this report is to update the 2017 Report and to assess title to these assets, as well as, to address a number of related issues as they may affect a contemplated assignment by Radian Partnership, LP, VP5, LLC, Ralph Curton, Jr., Thurston Energy Investments 2, LLC, Natural Resources Advisors, and GCC Thurston Energy LP. Although we are licensed attorneys, we are not licensed in the State of North Dakota but do have a long standing relationship with certain of these parties as well as familiarity with the land records and agreements affecting these assets.

In addition to the 2017 Report, we have relied upon the following materials in preparation of this report:

1. Due Diligence Report of TriGen Energy LLC covering the Crystal 44-18H Well dated February 25, 2020;
2. Due Diligence Report of TriGen Energy LLC covering the Fortification 11-19H Well dated February 25, 2020;
3. Due Diligence Report of TriGen Energy LLC covering the Mesa 11-31H Well dated February 25, 2020;
4. Due Diligence Report of TriGen Energy LLC covering the Mesa 13-29H Well dated February 25, 2020;
5. Due Diligence Report of TriGen Energy LLC covering the Mesa 24-2H Well dated February 25, 2020;
6. Due Diligence Report of TriGen Energy LLC covering the Mesa 44-10H Well dated February 25, 2020;
7. Due Diligence Report of TriGen Energy LLC covering the Wildhorse 11-24H Well dated February 25, 2020; and
8. Due Diligence Report of TriGen Energy LLC covering the Poudre 44-18H Well dated February 25, 2020.

The Due Diligence Reports referenced above are sometimes collectively referred to herein as the "TriGen Due Diligence Reports." Copies of the TriGen Due Diligence Reports are collectively attached at Tab B.

Our findings are as follows:

I. Significant Issues Identified in the 2017 Report:

1. The 2017 Report identified two mortgages which were to be released prior to closing. The mortgages described therein were released by the following instruments:

a. Release of Mortgage granted by Ralph Curton, Jr., as Mortgagee, dated June 13, 2017, effective June 1, 2017, and recorded June 29, 2017, as Document No. 263285.

b. Full and Complete Release of Mortgage-Collateral Real Estate Mortgage, Security Agreement, Assignment of Production and Financing Statement and Promissory Note (the "Mortgage Release") granted by RIM Operating, Inc., *et al.*, as Mortgagee, dated June 16, 2017, effective June 1, 2017, and recorded June 29, 2017, as Document No. 263285.

2. The 2017 Report identified an obligation to obtain a consent to the assignment from SOO Line Railroad Company, a Minnesota corporation, as required by the Oil and Gas Lease granted to Springfield Oil Company, a Colorado corporation, and dated September 15, 2008, dated October 22, 2008, as Document Number 221565. Such consent does not appear of record in Burke County, North Dakota.

II. Security Interests:

The TriGen Due Diligence Reports to not show any outstanding mortgages or other security interests covering the interests contemplated to be assigned.

III. Subsequent Significant Issues:

1. A Consent to Assignment is required by Oil and Gas Lease dated September 15, 2008, dated October 22, 2008, as Document Number 221565, from SOO Line Railroad Company, a Minnesota corporation doing business as Canadian Pacific Railway to Springfield Oil Company, a Colorado corporation.

We are aware that a letter requesting this consent dated February 27, 2020 was transmitted to SOO Line Railroad Company. We note that the Consent to Assignment clause appearing within said oil and gas lease provides that consent cannot unreasonably be withheld. Given the general unresponsiveness of the railroad company in the past, it appears unlikely that the contemplated transfer would be consented, nor would it be likely that such refusal would be reasonable. Accordingly, it is our opinion that closing should not be delayed based on the consent not currently being provided. However, the consent should be obtained as soon as practicable.

IV. Working Interest and NRI Amounts. We have reviewed the TriGen Due Diligence Reports concerning the Working Interest Amounts of the spacing units of the wells referenced

herein, as well as the Net Revenue Interests associated with these working interests. Those amounts, being the total interests currently held by Radian Partnership, LP, VP5, LLC, Ralph Curton, Jr., Thurston Energy Investments 2, LLC, Natural Resources Advisors, and GCC Thurston Energy LP are as follows:

<u>Name</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>
Crystal 44-18H	34.703523%	26.721712%
Fortification 11-19H	22.131502%	17.041256%
Mesa 11-31H	32.606115%	25.127279%
Mesa 13-29H	35%	26.950000%
Mesa 24-2H	35%	26.950000%
Mesa 44-10H	35%	26.950000%
Paradox 11-30H	34.667652%	26.712841%
Paradox 34-31H	34.982551%	26.937215%
Poudre 44-18H	30.504752%	23.488657%
Wildhorse 11-24H	35%	26.950000%

Note, in preparing the above, certain reliance was made on the revenue deck provided TriGen Energy LLC.

V. The TriGen Due Diligence Reports provide certain defects that were disclosed in the original title opinions issued at the time the wells were drilled on the spacing units. We note that the working interest for the wells has been in pay status for over 10 years and so we presume that these issues have been resolved. However, documents reflecting the same may not be in the public record. It is our opinion that the bulk of the defects shown in these reports are routine defects which are normally cured in the process of well operations. However, more substantial defects are noted below.

Crystal 44-18H:

None.

Fortification 11-19H:

None.

Mesa 11-31H:

Under Requirement Satisfaction, the Due Diligence Report for the Mesa 11-31H Well provides as Requirement 5, a reference to a side letter agreement concerning Oil and Gas Lease Number 1 of the Spacing Unit. The 2017 Report indicated the opinion that the terms of the side letter agreement could impact operations and should be provided. We have not been provided documents indicating this occurred.

Under Requirement Satisfaction, the Due Diligence Report for the Mesa 11-31H Well provides as Requirement 10, reference to a potential production payment in favor of Anschultz Corporation. The Report notes that a release of the production payment is not of record. The 2017 Report indicated the opinion that documentation showing the satisfaction of the production payment should be provided. We have not been provided documents indicating this occurred.

Under Requirement Satisfaction, the Due Diligence Report for the Mesa 11-31H Well provides as Requirement 11, referenced to an option of Chandler & Associates, Inc., to convert its overriding royalty interest into a 50% working interest after payout. The 2017 Report indicated the opinion that documentation showing the payout has occurred and the option has not been exercised should be provided. We have not been provided documents indicating this occurred.

Mesa 13-29H:

None.

Mesa 24-2H:

None.

Mesa 44-10H:

None.

Poudre 44-18H:

Under Requirement Satisfaction, the Due Diligence Report for the Poudre 44-18H Well provides reference to a lease originally granted by State of North Dakota to Denali Oil & Gas Partners LLP. It does not appear that consent was obtained on previous assignments. The 2017 Report indicated the opinion that this issue should be resolved by obtaining consent to the assignment contemplated at that time. We have not been provided documents indicating this occurred. It is our opinion that while this action should be undertaken in due course, it would not be prohibitive of closing, however, the consent should be obtained as soon practicable thereafter.

Wildhorse 11-24H:

None.

Note there are numerous other discrepancies outlined both in the original title opinions reviewed for the 2017 Report, as well as, the TriGen Due Diligence Reports such as unrecorded

documents, encumbrances, etc., which were addressed by covenants within the Farmout Agreement dated effective June 1, 2017 and inuring to the benefit of any proposed assignee. It is our suggestion that the currently contemplated transaction provide covenants from the Assignors to Hawkley Oil & Gas Limited substantially similar as those contained within the Farmout Agreement.

The above is not meant to be an exhaustive lease of discrepancies, by merely a response to your request as to my opinion as to particularly problematic items shown in these reports.

VI. Joint Operating Agreement. We have reviewed the Operating Agreement concerning the Crystal 44-18H well which was attached to the Farmout Agreement dated effective June 1, 2017 as Exhibit E. We presume this Operating Agreement dated November 8, 2007, is substantially identical to the operating agreements affecting all the wells at issue, however, this should be confirmed. The following items are not an exhaustive list of all significant terms but comprise an overview of the agreement:

Article V.A.1.

Operator may be removed only for good cause by the affirmative vote of two (2) or more non operators owning a majority interest after excluding the voting interest of the operator. The vote will not be effective until a written notice has been provided to the operator which details the alleged default and Operator has failed to cure within 30 days.

Article V.A.2.

In the event of resignation or removal of an Operator, the successor is chosen by the affirmative vote of two (2) or more non operators owning a majority interest. In the event the removed or resigned Operator fails to vote or votes for itself, the successor is chosen by the affirmative vote of two (2) or more non operators owning a majority interest remaining after excluding the Operator's interest.

Article V.D.1.

Operator's charges may not exceed the prevailing rates in the area and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced.

Article V.D.2.

Operator shall pay all costs and expenses of exploration and development and charge each party based upon their proportionate share of the expenses.

Article VI.B.1.

Any party may propose to drill a well, rework, sidetrack, deepen, recomplete, or plug back a well and provide written notice of the proposed operation. Parties shall have 30 days to after receipt to elect whether to participate in the cost of the proposed operation. If a drilling rig is present on the property, the response period shall be limited to 48 hours, excluding Saturday, Sunday and legal holidays.

Article VI.B.2(a).

Upon receipt of a notice of a proposed operation under IV.A.1., if Operator does not wish to participate in the proposed operation (if no drilling rig is on location), then Operator may decline to perform the work and the parties who wish to participate in the proposed operations may designate another party as Operator for the purpose of performing that work.

If less than all parties approve a proposed operation, the proposing party shall advise all parties of the total interest approving the proposed operation and its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. The other Consenting Parties then decide if they desire to limit participation to their interest; carry only its proportionate part of the Consenting Parties' interests; or carry its proportionate part together with all or a proportion of the Non-Consenting Parties' interest that any Consenting Party did not elect to take. The proposing party must take on any interest of a Non-Consenting Party or withdraw the proposal.

Article VI.B.2(b).

If an operation by Consenting Parties results in a well capable of producing oil or gas in commercial quantities, the well shall be operated at the expense and for the account of the Consenting Parties. Non-Consenting parties shall relinquish its interest until the proceeds of sale of its share equal cost plus 300%.

Article VI.B.2(d).

After the Consenting Parties recoup the cost plus 300% of the Non-Consenting Parties' share of proceeds, the relinquished interests of the Non-Consenting Party shall revert to it and it shall be entitled to proceeds as if it had originally participated in the proposed operation.

Article VI.B.6.

If a proposed operation would conflict with an existing proposed operation, the parties shall vote on which of the proposed operations takes precedence and the issue shall be decided by the vote of parties owning the largest aggregate percentage interest shall have priority.

Article VI.B.8.

A well capable of paying in producing quantities cannot be reworked, deepened, plugged back, completed or recompleted without the consent of 75% of the interests of the parties entitled to participate.

Article VI.C.1.

Prior to completing a well, Operator shall recommend whether or not to complete the well to the parties with the right to participate in the attempt along with an AFE for costs. A party who does not wish to participate in a completion attempt may still elect to participate in subsequent completion attempts.

Article VI.D.

Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of \$50,000 unless previously authorized with a drilling, sidetracking, reworking deepening, completing, recompleting, plugging back of a well. Operator may take steps and incur expenses to deal with emergencies but shall promptly report emergency to other parties. Parties may request ancillary production facilities which cost greater than \$50,000, which proposal shall be delivered to all parties and undertaken if 65% of the interests agree.

Article VI.E.

Wells which have produced but Consenting Parties have not been reimbursed cannot be abandoned without consent of all parties. If a proposed abandonment is not agreed to then the parties who do not wish to abandon the well shall take over its operation and compensate the other parties for their share of salvageable material, adjusted for estimated costs of plugging and abandonment.

Article VI.F.

Operations for drilling, recompletion, reworking, sidetracking, plugging back, deepening, testing, completion or plugging shall not be terminated without consent of parties bearing 65% of the costs of the operation.

Article VI.G.

Each party shall have the right to take its share of production in kind but if they do not make arrangements to do so Operator shall market their share.

Article VII.B.

Parties grant liens in the oil and gas leases and related assets to one another for each party's share of expenses and obligations.

Article VII.C.

Operator may require advances on expenses expected to be incurred within the next 30 days.

Article VII.D.

A party in default of the agreement shall be provided a notice and given 30 days to cure their default.

Article VII.E.

Rentals, shut in royalties, and minimum royalties shall be borne by the party or parties who subjected the lease to the agreement at their own expense.

Article VIII.A.

Leases shall not be surrendered except with consent of all parties. A party who wishes to surrender a lease may propose to do so and, if not agreed by all parties, may assign it to those parties who do not wish to surrender; and it shall become the subject of its own separate agreement.

Article VIII.D.

Parties shall not sell or otherwise dispose of interests subject to the Operating Agreement unless it is all that party's interest or an equal undivided percent in all the party's interests.

Article X.

Operator may settle disputed claims if the expenditure is less than \$50,000 and the payment is a complete settlement.

VII. Other Items Examined. We note the following additional items based on our review of the TriGen Due Diligence Reports.

1. Pugh Clauses. We have reviewed or we have reviewed reports of the leases of the Farmout Agreement. It does not appear that there are Pugh or other development clauses, which will affect the formations contemplated to be developed by the Farmout Agreement.

2. Held by Production Status. We have reviewed or we have reviewed a production report provided by TriGen Energy LLC with respect to the production history of the leases. A copy of the production report is attached as Tab C. With the exception of the Mesa 24-2 Well and the Mesa 11-31 Well, the longest period of cessation occurred on the Fortification 11-19 Well which underwent a period of 8 months without a sale of oil. While a determination of whether a lease has lapsed due to non-production depends on the facts involved. Other than the Fortification 11-19 Well, the Mesa 24-2 Well and the Mesa 11-31 Well we do not believe there are issues of continued production.

With regard to the Fortification 11-19 Well, the Mesa 24-2 Well and the Mesa 11-31 Well, there does not appear to have been sufficient production to demonstrate that the leases are held by production. It would be our opinion that the further inquiry should be made to ascertain if there are operations, sales, payment of shut-in royalties or other actions taken in order to perpetuate those leases.

3. Material Contracts (Exhibit I). We have reviewed the Materials Contracts exhibit forming a portion of the Farmout Agreement dated effective June 1, 2017. Other than the consents described above, we do not find any issues within the contracts referenced on proposed Exhibit I, which constitute a material defect. These documents are as follows:

a. Surface Use Agreements. Each of the wells have surface use agreements with the surface owner. These agreements provide the well operator to use the surface for its oil and gas recovery operations. These agreements appear to be of standard form and generally provide the surface owner the amount of \$3,500.00 for each new well and, thereafter, generally provide an annual rental in the amount of \$600.00.

b. Crude Oil Contracts. Each of the wells have crude oil contracts wherein the operator agrees to sell the produced oil to a pipeline or refinery. These

contracts generally provide that the price shall be the previous months price of WTI minus \$6.85.

c. Gas Contracts. Each of the wells have gas contracts wherein the operator agrees to sell the produced gas to a pipeline. These contracts provide varying prices based upon the quality of gas produced.

d. Operating Agreements. Each well has an operating agreement from the period around when the first wells were drilled. The operator agreement would be similar to the operating agreement involved in this transaction and is the form A.A.P.L. For 610-1989, which is standard form issued by the national landman association in United States.

e. Pooling Orders and Designations of Spacing Units. Each of the wells have the instrument whereby the various leases were pooled and combined for the spacing units for the wells. The Pooling Order shows the State's approval of the pooling and provides provisions for non-consent working interest owners.

Please keep in mind that our review and the review of TriGen Energy LLC was a due diligence review and is not intended to review the entire history of title to these properties. The review should not be considered title insurance in any manner. It is our experience in this industry that title is rarely perfect and a certain number of title defects is expected. Issues can and will arise in the operations of these properties that will need to be address in the normal course of business.

Once you have had a chance to review, please feel free to give me a call to discuss.

Respectively Submitted,

BASIN LAW GROUP LLP

By: William C. Illingworth,
Partner

By: Matthew J. Latowski,
Partner

Attachments

June 19, 2017

Mr. Jason Spittlehouse
Radian Partnership LP
848 North Rainbow Blvd #5209
Las Vegas, NV 89107

Eyal Shuker
Israel Opportunity Energy Resources LP
2 Ben Guroin Rd.
Ramat Gan, 52573, Israel

C.O. Cyprus Opportunity Energy Public Limited
Karaïskakis St. 13
Limassol 3601, Cyprus

**RE: LEASEHOLD ACQUISITION
BURKE COUNTY, NORTH DAKOTA
BASIN LAW GROUP LLP CLIENT AND MATTER NO.: 0143/10732**

Dear Sirs,

This letter is provided pursuant to the request of Moran Levy to prioritize potential defects within the area covered by the Farmout Agreement of the propose Burke County acquisition.

I. Significant Issues that should be addressed at Closing:

1. Releases of the following documents:

a. "Mortgage-Collateral Real Estate Mortgage, Security Agreement, Assignment of Production and Financing Statement," by and between Thurston Energy Investments 2, LLC ("TEI2"), as Mortgagor, and Ralph Curton, Jr., as Mortgagee, dated effective July 29, 2016, and recorded December 28, 2016, as Document No. 261000. Said Mortgage was given to secure a Promissory Note dated July 29, 2016 in the principal amount of \$840,000.00, and other sums as specified therein, to mature on July 29, 2021, unless extended. All proceeds from production are assigned to Mortgagee.

b. "Mortgage-Collateral Real Estate Mortgage, Security Agreement, Assignment of Production and Financing Statement," dated effective July 29, 2016, and recorded September 6, 2016, as Document No. 260065, by and between Thurston Energy Investments 2, LLC, as Mortgagor, and Prima Exploration, Inc., *et al.* This mortgage was given to secure a Promissory Note dated July 29, 2016 in the principal amount of \$1,175,116.54, and other sums as specified therein, to ~~mature~~ on July 15, 2021, unless extended. All proceeds from production are assigned to Mortgagee.

2. Consent to Assignment required by Oil and Gas Lease dated September 15, 2008, dated October 22, 2008, as Document Number 221565, from SOO Line Railroad Company, a Minnesota corporation doing business as Canadian Pacific Railway to Springfield Oil Company, a Colorado corporation.

It is my understanding that this document will not be provided by closing. We note that the Consent to Assignment clause appearing within said oil and gas lease cannot unreasonably be withheld. Given the plan of development and the current operator will remain the operator at lease in the interim it would appear difficult for the reasonable withholding of the consent be valid. Accordingly, it is our opinion that closing should not be delayed based on the consent not currently being provided. However, the consent should be obtained as soon practicable thereafter.

II. Working Interest and NRI Amounts. We have reviewed or we have reviewed reports of TriGen Energy LLC, concerning the Working Interest Amounts of the spacing units of the proposed Farmout Agreement. Those amounts are as follows:

<u>Name</u>	<u>Working Interest</u>	<u>Net Revenue Interest</u>
Crystal 44-18H	77.3621789%	77.33928%
Mesa 11-31H	74.6258%	71.889063%
Mesa 13-29H	100%	78%
Mesa 24-2H	100%	78%
Mesa 44-10H	100%	78%
Paradox 11-30H	98.466087%	76.803548%
Paradox 34-31H	99.919461%	77.93718%
Poudre 44-18H	87.15643%	67.982014%
Wildhorse 11-24H	100%	78%

Note, in preparing the above, certain reliance was made on the revenue deck provided by Farmor.

Further note the Mesa 11-31H and the Poudre 44-18H do not fall within the NRI provided by the Farmout Agreement. It is my opinion that **documentation** should be provided by Farmor to

show that the amounts for these two spacing units will meet the thresholds contemplated by the Farmout Agreement at closing or, at a minimum, prior to instituting recompletion activities.

Further note, we have not been provided a Due Diligence Report from TriGen Energy LLC for the Fortification 11-19.

III. The Due Diligence Reports issued by TriGen Energy LLC provide certain defects that were disclosed in the original title opinions issued at the time the wells were drilled on the spacing units. We note that the working interest for the wells has been in pay status for almost 10 years and so we presume that these issues have been resolved. However, documents reflecting the same may not be public record. It is our opinion that the bulk of the defects shown in these reports are routine defects which are normally cured in the process of well operations. However, more substantial defects are noted below.

Crystal 44-18H:

Under Leasehold Defects, the Due Diligence Report provides reference to certain errors in the historical assignments to certain leases. It is our opinion that this issue should be cured by corrective assignment or affidavit of scrivener's error. It is our opinion that while this action should be undertaken in due course, it would not be prohibitive of closing.

Mesa 11-31H:

Under Requirement Satisfaction, the Due Diligence Report provides as Requirement 5, reference to a side letter agreement concerning Oil and Gas Lease Number 1 of the Spacing Unit. It is our opinion that the terms of the side letter agreement could impact operations and should be provided by Farmor, at a minimum, prior to instituting recompletion activities.

Under Requirement Satisfaction, the Due Diligence Report provides as Requirement 10, reference to a potential production payment in favor of Anschultz Corporation. The Report notes that a release of the production payment is not of record. It is our opinion that documentation showing the satisfaction of the production payment should be provided, at a minimum, prior to instituting recompletion activities.

Under Requirement Satisfaction, the Due Diligence Report provides as Requirement 11, referenced to an option of Chandler & Associates, Inc., to convert its overriding royalty interest into a 50% working interest after payout. It is our opinion that documentation showing the payout has occurred at the option has not been exercised should be provided, at a minimum, prior to instituting recompletion activities.

Mesa 13-29H.

None.

Mesa 24-2H.

None.

Mesa 44-10H.

None.

Poudre 44-18H

Under Requirement Satisfaction, the Due Diligence Report provides reference to a lease originally granted by State of North Dakota to Denali Oil & Gas Partners LLP. It does not appear that consent was obtained on previous assignments. It is our opinion that this issue should be resolved by obtaining consent to assignment when the same occurs under the Farmout Agreement. However, it is our opinion that while this action should be undertaken in due course, it would not be prohibitive of closing.

Wildhorse 11-24H.

None.

Note there are numerous other discrepancies outlined both in the Original Title Opinions, as well as, the Due Diligence Reports provided by TriGen Energy LLC, such as unrecorded documents, encumbrances, etc., that are addressed by covenants within the proposed Farmout Agreements. The above is not meant to be an exhaustive lease of discrepancies, discovered, by merely a response to your request as to my opinion as to particularly problematic items shown in these reports.

IV. Other Items Examined. We have reviewed or we have reviewed reports of TriGen Energy LLC, covering the following issues more typically covered within due diligence reports for acquisition purposes and do not note any issues.

1. Pugh Clauses. We have reviewed or we have reviewed reports of TriGen Energy LLC, concerning leases of the proposed Farmout Agreement. It does not appear that there are Pugh or other development clauses, which will affect the formations contemplated to be developed by the Farmout Agreement.

2. Held by Production Status. We have reviewed or we have reviewed reports of TriGen Energy LLC, concerning the production history of the leases. It appears that the

longest cessation of production from any of the spacing locations is 6 months (Mesa 24-2H). While a determination of whether a lease has lapsed due to non-production depends on the facts involved, it is our opinion that a cessation of production of 6 months is insufficient for lapse of a lease.

3. Material Contracts (Exhibit I). We have reviewed the Materials Contracts exhibit proposed to be made a part of the Farmout Agreement. Other than the mortgages and consents described above, we do not find any issues within the contracts referenced on proposed Exhibit I, which constitute a material defect. These documents are as follows:

a. Surface Use Agreements. Each of the wells have surface use agreements with the surface owner. These agreements provide the well operator to use the surface for its oil and gas recovery operations. These agreements appear to be of standard form and generally provide the surface owner the amount of \$3,500.00 for each new well and, thereafter, generally provide an annual rental in the amount of \$600.00.

b. Crude Oil Contracts. Each of the wells have crude oil contracts wherein the operator agrees to sell the produced oil to a pipeline or refinery. These contracts generally provide that the price shall be the previous months price of WTI minus \$6.85.

c. Gas Contracts. Each of the wells have gas contracts wherein the operator agrees to sell the produced gas to a pipeline. These contracts provide varying prices based upon the quality of gas produced.

d. Operating Agreements. Each well has an operating agreement from the period around when the first wells were drilled. The operator agreement would be similar to the operating agreement involved in this transaction and is the form A.A.P.L. For 610-1989, which is standard form issued by the national landman association in United States.

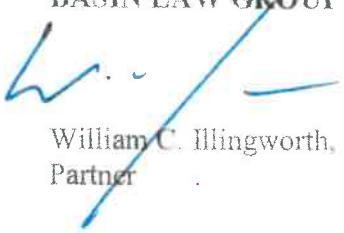
e. Pooling Orders and Designations of Spacing Units. Each of the wells have the instrument whereby the various leases were pooled and combined for the spacing units for the wells. The Pooling Order shows the State's approval of the pooling and provides provisions for non-consent working interest owners.

Please keep in mind that our review and the review of TriGen Energy LLC was a due diligence review and is not intended to review the entire history of title to these properties. The review should not be considered title insurance in any manner. It is our experience in this industry that title is rarely perfect and a certain number of title defects is **expected**. Issues can and will arise in the operations of these properties that will need to be address in the normal course of business.

Once you have had a chance to review, please feel free to give me a call to discuss.

Respectively Submitted,

BASIN LAW GROUP LLP



By: William C. Illingworth,
Partner



Crystal 44-18H

LAND COVERED BY REPORT

Township 162 North, Range 89 West, 5th P.M.

Section 18: Lots 1-4, E/2, E/2 W2

Containing 633.04 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to August 7, 2007 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Crystal 44-18H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Beatty & Wozniak, P.C. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from August 7, 2007 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of May 31, 2017

Israil Opportunity Energy Inc.	61.474813%
Thurston Energy Investments 2, LLC	12.394115%
Radian Partnership, LP	9.915292%
Ralph Curton, Jr.	3.098529%
GCC Thurston Energy LP	3.098529%
Natural Resources Advisors	3.098529%
VP5, LLC	3.098529%
Cyprus Opportunity Energy Inc.	2.974588%
B&J Resources, LLC	.341222%
KAB Acquisition L.P. III	.463641%
Roger D. Teselle	.042213%

Lease Review

All leases except leases 1 & 2 have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority. Please note that several leases contain a pugh clause, however, all pugh clauses contained in this unit only affect lands lying outside of the government authorized spacing unit. You should also be aware that multiple leases contain a 3 year limit on shut-in gas wells.

Leasehold Defects

The following defect was from the prior due diligence report that was completed on May 31, 2017 and it appears to have been cured. Please satisfy yourself with a legal opinion.

Please be aware that assignment from Marshall Resources, LLC to Star Mesa Energy, LLC contains errors in the exhibit that affect leases within the spacing unit. Lease 1, with lessor Esta Rae Mapes, found in Book 147M, Page 186, is missing from the assignment. This lease is within all other assignments in the leasehold chain and it is our assumption it was meant to be within this assignment. Also, the book and page reference to leases 3 and 5 are wrong. Each lease lists the book and page number of the aforementioned Esta Rae Mapes lease. Lease 8, with lessor Gerald and Ollie Pfeifer, found in Book 275, Page 545, is missing from the aforementioned assignment. This lease also follows the rest of the leasehold chain. These omissions give Marshall ownership that is unaccounted for.

Requirements Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed "advisory only".

6. Lease No. 6 Status. Oil and Gas Lease No. 6 dated December 3, 1980 is beyond the expiration of its primary term. Delay rental payments are required under the lease prior to first production from the lands covered. The affidavits dated January 4, 1984 and April 10, 1984, described above in this Opinion under "Affidavits of Production," give notice of the extension of Lease No. 6 due to production from the Clayton No. 1 well located in Tract 1. As noted in the preceding comment with regard to Oil and Gas Lease Nos. 1-5, the Clayton No. 1 well appears to have maintained active status since January 6, 1984, production from which also has thereby continued Lease No. 6 in effect beyond the expiration of its primary term.

The materials examined do not contain information regarding the payment of any required delay rentals prior to the achievement of production in commercial quantities under Lease No. 6. As noted, it appears that the lease has been held by production according to its terms since January 31, 1984, provided that production from the Clayton No. 1 well has been continuous as defined in the lease. As is the case with Lease Nos. 1-5, we are unable to confirm from the materials examined that production from lands covered by Lease No. 6 has been continuous since the expiration of the primary term of the lease, or that any delay rental payments were timely and properly made as required prior to first production under each lease.

REQUIREMENT: (a) you should review the production history of the well or wells located on lands covered by Oil and Gas Lease No. 6 and be satisfied that one or more wells under the lease has been continuously producing in paying quantities for the period subsequent to January 31, 1984. You should also be satisfied that all delay rentals due in connection with Lease No. 6 prior to production thereunder were timely and properly paid. If you determine that at any time all producing wells under the lease have been simultaneously shut-in subsequent to their completions, you should be satisfied that all shut-in royalties due in connection with Oil and Gas Lease No. 6 were timely and properly paid.

Lease No. 6 contains an additional provision known as a "Pugh" clause, which requires the release of all leased lands not included within a drilling and spacing unit at the expiration of either the primary term of the lease, an extended drilling period or "continuous operations" on the lands, in accordance with the provision, as follows:

Anything herein contained to the contrary notwithstanding, a producing well on this lease will perpetuate the lease beyond the primary term only as to such lands as are contained within the spacing unit for the producing well as established by the North Dakota Industrial Commission. Lessee agrees to file a release of lands described in this lease, not held by production, at the expiration of primary term.

We obtained a copy of an Order of the Industrial Commission of the State of North Dakota dated July 11, 1985, Case No. 3568, Order No. 4062, made "pursuant to legal notice," redefining the limits of the Carter Field in Burke County, North Dakota to include all of Section 18, Township 162 North, Range 89 West, and establishing the proper spacing of the Carter-Madison Pool within the Carter Field to create 80-acre spacing units for the production of oil and gas, which units are to consist of two adjacent quarter-quarter sections or corresponding governmental lots within the same quarter section. The order states that the configuration of spacing units, either horizontal or vertical, will be determined by the location of the first well, which will be nearest to the center of the spacing unit. The operator is to determine the spacing units for wells that are equidistant: from the midsection lines, with continuing jurisdiction of the NDIC to alter units as requested. A field map attached to the order indicates that the Clayton No. 1 well is equidistant: from the mid-section lines of Lot 1 and the SE/4 NW/4 of Section 18, which suggests that the operator may have determined the spacing unit for the well. We have prepared this Opinion under the assumption that the 80-acre spacing unit established for the Clayton No. 1 well consisted of Lots 1 and 2 of Section 18, identified as Tract 1 of this Opinion, although the materials examined do not confirm this. Therefore, out of an abundance of caution, we make the following requirement.

REQUIREMENT: (b) You should satisfy yourself that the 80-acre spacing unit established for the Clayton No. 1 well consisted of Lots 1 and 2 of Section 18, Township 162 North, Range 89 West, 5th P.M. as of December 2, 1980, the expiration date of the lease. You should execute and record in the records of Burke County, North Dakota, an affidavit to this effect.

Due to the presence of the Pugh Clause in Lease No. 6 and to the Spacing Order for the Clayton No. 1 well discussed above in this Comment, we have determined that Tract 3 was released: from the lease as of the lease expiration date on December 2, 1985. Subject

February 25, 2020

to the above requirement (b), Tract 2 was also released: from Lease No. 6 on that date, and we have tabulated Lease No. 6 as currently valid only as to Tract 1.

REQUIREMENT: (c) Subject to the satisfaction of requirement (b) above, you should record an affidavit of production and extension for Oil and Gas Lease No. 6 in the records of Burke County, North Dakota, which affidavit gives evidence of the existence and continuing validity of the lease as to Tract 1.

(d) If in satisfying requirement (b) above you find that Lease No. 6 is still valid as to lands other than or in addition to Tract 1, you should provide us immediately with any information relating to that matter for further advice and comment and for the proper revision of this Opinion.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Crystal 44-18H well had been 2 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

1. This Oil and Gas Ownership and Leasehold Report should not be construed as rendering a legal opinion as to any matter covered herein. No liability whatsoever, whether express or implied, is assumed by Examiner as to the validity of the documents examined or the accuracy of the information presented herein.

2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.



February 25, 2020

WILDHORSE 11-24H

LAND COVERED BY REPORT

Section 24, Township 163 North, Range 89 West, 5th P.M.

Section 24: All

Containing 640.00 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to October 10, 2008 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Wildhorse 11-24H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Fredrikson & Byron, P.A. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from October 10, 2008 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	62.00%
Thurston Energy Investments 2, LLC	12.50%
Radian Partnership, LP	10.00%
Ralph Curton, Jr.	3.125%
GCC Thurston Energy LP	3.125%
Natural Resources Advisors LLC	3.125%
VP5, LLC	3.125%
Cyprus Opportunity Energy Inc.	3.00%

Lease Review

All leases have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority.

Lease 1, 2, 5, 6, 7, 8, 9 contain the following pugh clause:

Upon expiration of the primary term, or upon cessation of continuous drilling operations (as hereinafter defined), whichever is later, this lease shall terminate as to all the lands covered hereby except lands within a production or a spacing unit prescribed by law or administrative authority, on which is located a well producing, or capable of producing oil and/or gas. Lessee shall be considered to be engaged in continuous drilling operations for the purposes hereof if Lessee is engaged in drilling, reworking or completion operations on a well located on the leased lands, or on lands included in a production or a spacing unit which contains a portion of the leased lands. Lessee shall also be deemed to be engaged in continuous drilling operations for as long thereafter as Lessee conducts drilling, reworking or completion operations on the leased lands, or on lands included in a production or a spacing unit which contains a portion of the leased lands, with not more than 180 days elapsing between the completion or abandonment of one well, even if such well was completed or abandoned during the primary term, and the beginning of operations for the drilling of an additional well or reworking an existing well.

Leasehold defects

Our search did not uncover any defects in the leasehold title chain.

Requirements Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed “advisory only”.

Requirement 2. Mortgage No. 1 described above under Encumbrances, is a lien on the mineral and surface interests of Ronald Freed in Tract 3 (the SE/4 of Section 24-T163N-R89W), prior in time to Lease No. 5.

Requirement: Subordination of this mortgage to Lease No. 5 should be obtained from the mortgagee and placed of record.

Requirement 4. There are a number of leases in the record covering the captioned tracts whose primary terms have expired but which have not been released of record, as follows:

Please refer to title opinion for list.

Requirement: In order to be certain that none of these leases was extended beyond its primary term, releases of the leases should be obtained from the owners and places of record. In the alternative, it should be confirmed from the North Dakota Industrial Commission records that no well has ever been drilled or completed on the tracts in question, or that any producing well has permanently ceased to produce, and that the tract

has never been part of a secondary recovery unitized area, and an affidavit to that effect should be obtained and placed of record

Requirement 12. Your attention is directed to the fact that the materials examined did not include a search for judgements which may have been filed against one or more of the owners of the captioned lands in the office of the Clerk of Court, Burke County, North Dakota; nor do the materials examined contain the results of a search for state and federal tax liens, miscellaneous liens or filings under the Uniform Commercial Code, in the Central Notice System, maintained by the North Dakota Secretary of State. In addition, the materials examined did not establish that the real estate taxes assessed against the captioned lands have been paid.

Requirement: You should conduct a search for judgements as to all relevant parties in the office of the Clerk of Court, Burke County, North Dakota; and, you should also conduct a search for state and federal tax liens, miscellaneous liens and filings under the Uniform Commercial Code in the Central Notice System, maintained by the North Dakota Secretary of State. In addition, you should be certain that all real estate taxes assessed against the captioned lands by Burke County have been paid.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Wildhorse 11-24H well had been 5 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

1. This Oil and Gas Ownership and Leasehold Report should not be construed as rendering a legal opinion as to any matter covered herein. No liability whatsoever, whether express or implied, is assumed by Examiner as to the validity of the documents examined or the accuracy of the information presented herein.

2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.



February 25, 2020

MESA 13-29H

LAND COVERED BY REPORT

Township 163 North, Range 89 West

Section 28: SW/4

Section 29: S/2

Section 32: N/2

Section 33: NW/4

Containing 960.00 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to August 16, 2007 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Mesa 13-29H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Beatty & Wozniak, P.C. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from August 16, 2007 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	62.00%
Thurston Energy Investments 2, LLC	12.50%
Radian Partnership, LP	10.00%
Ralph Curton, Jr.	3.125%
GCC Thurston Energy LP	3.125%
Natural Resources Advisors LLC	3.125%
VP5, LLC	3.125%
Cyprus Opportunity Energy Inc.	3.00%

Lease Review

All leases except leases have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority. Please note that several leases contain a pugh clause, however, all pugh clauses contained in this unit only affect lands lying outside of the government authorized spacing unit. You should also be aware that multiple leases contain a 3 year limit on shut-in gas wells.

Leasehold defects

Our search did not uncover any defects in the leasehold title chain.

Requirement Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed “advisory only”.

12. Unrecorded Lease. As tabulated above in this Opinion, Lease No. 14 is unrecorded. The materials examined contain a Memorandum of Oil and Gas Lease acknowledged on November 28, 2006, recorded on December 4, 2006 in Book 291 at page 9 of the records of Burke County, North Dakota. The Memorandum provides only a minimal description of Lease No. 14. North Dakota statutes are silent as to whether a recorded memorandum of an unrecorded oil and gas lease binds only the parties to the memorandum but not third parties. However, North Dakota case law appears to support a finding that a memorandum of an agreement affecting real property, including an oil and gas lease, would provide constructive notice to any third party with knowledge thereof, which constructive notice would require diligent inquiry into any potentially existing interest in the real property of concern.¹ Notwithstanding the current law regarding this issue in North Dakota, out of an abundance of caution we make the following requirement.

REQUIREMENT: To provide notice to all persons of the existence of Lease No. 14 you should record the lease in Burke County, North Dakota. You should be certain that there are no intervening conveyances or encumbrances of the owners of interests in the lease or in the lands covered thereby prior to recording. If you discover that any such encumbrance exists you should return to us for further advice and comment.

20. Tract 5 Unleased Minerals. As set forth below in Comment and Requirement No. 27, E.P. Day conveyed the Tract 5 lands to the North Star School District No. 44, a municipal corporation, subject to the possibility of reverter. However, the materials examined contain no valid oil and gas leases covering the Tract 5 lands.

REQUIREMENT: None; advisory only for drilling purposes, subject to

Comment and Requirement No. 2 above. In the event of production, the proceeds attributable to Tract 5 should be placed in suspense until the owner of Tract 5 is satisfactorily determined as set forth below in Comment and Requirement No. 27.

21. Tract 11 Unleased Minerals. Subject to Comment and Requirement No. 32 below, the mineral estate of Tract 11 is owned of record by Ellevine Hermansen. The materials examined do not contain a valid oil and gas lease covering Tract 11, and for preparation of this Opinion we have concluded that the tract is currently unleased.

REQUIREMENT: Advisory only for drilling purposes, subject to Comment and Requirement No. 2 above. Once production has been obtained, the proceeds attributable to Tract 11 should be placed in suspense until the owner of the tract is satisfactorily determined as set forth in Comment and Requirement No. 32 below.

48. Affidavit of Extension. N. D. CENT. CODE§ 47-16-40 (2007) provides that when an oil, gas or mineral lease is given on land in North Dakota, the recordation of the lease in the records of the county in which the land is located shall give notice to the public of the validity of the lease for its stated term, and that where the terms of such lease allow for its extension by the occurrence of a contingency (e.g., production in paying quantities), an affidavit stating such occurrence may be recorded at any time prior to the expiration of the primary term of such lease, which affidavit, together with the recorded lease, shall give notice to the public of the continuance of the lease in effect beyond the expiration of its primary term and until forfeited, canceled, set aside or surrendered according to law.

REQUIREMENT: You should be certain that any affidavit giving notice of the continuance of any one of the subject Oil and Gas Lease Nos. 1-14 continuation beyond the expiration of its primary term is properly recorded in Burke County, North Dakota.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Mesa 13-29H well had been 2 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

1. This Oil and Gas Ownership and Leasehold Report should not be construed as rendering a legal opinion as to any matter covered herein. No liability whatsoever, whether express or implied, is assumed by Examiner as to the validity of the documents examined or the accuracy of the information presented herein.

2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.



February 25, 2020

POUDRE 44-18H

LAND COVERED BY REPORT

Township 162 North, Range 90 West
Section 18: Lots 1, 2, 3, 4, E/2 W/2, E/2
Containing 622.88 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to May 31, 2006 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Poudre 18-10H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Neff, Eiken & Neff, P.C. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from May 31, 2006 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	54.036986%
Cornerstone Natural Resources LLC	12.843570%
Thurston Energy Investments 2, LLC	10.894554%
Radian Partnership, LP	8.715642%
Ralph Curton, Jr.	2.723639%
Natural Resources Advisors LLC	2.723639%
GCC Thurston Energy LP	2.723639%
VP5, LLC	2.723639%
Cyprus Opportunity Energy Inc.	2.614692%

Lease Review

All leases except leases 1 & 2 have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority. You should make yourself familiar with leases 1 & 2. These leases appear to be a State of North Dakota form with unique language not found in any other leases. Please refer to the requirement section of this report for more instructions on leases 1 & 2. Please note that several leases contain a pugh clause, however, all pugh clauses contained in this unit only affect lands lying outside of the government authorized spacing unit. You should also be aware that multiple leases contain a 3 year limit on shut-in gas wells.

Leasehold defects

Our search did not uncover any defects in the leasehold title chain.

Requirement Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed "advisory only".

Requirement 12. An easement has been granted covering the W $\frac{1}{2}$ of Section 18 to the United States of America to establish a waterfowl production area. This easement was dated August 17, 1973 and recorded in Book 112 of Misc at page 513.

With the establishment of a waterfowl production area, restrictions and limitations are placed upon the use of the surface of the property as it might affect drainage on the property.

Requirement:

In your proposed location or access road is in the W $\frac{1}{2}$ of Section 18 a contact should be made to the United States of America acting through the Department of Interior, Fish & Wildlife Service, related to approving your plans for the use of the surface.

Requirement 15. The State of North Dakota has issued two separate oil and gas leases to Denali Oil & Gas Partners LP. Both of these leases were dated February 1, 2005 and filed April 6, 2005. The first lease covered the E $\frac{1}{2}$ NW $\frac{1}{4}$ and Lots 1 and 2 of Section 18 and was recorded in Book 276 of Misc. at page 3. The second covers the E $\frac{1}{2}$ SW $\frac{1}{4}$ and Lots 3 and 4 of Section 18, and is recorded in Book 276 of Misc. at page 5.

As a part of the preparation of this opinion, we have checked the website for the North Dakota State Land Department and their records still show each lease as being owned by Denali Oil & Gas Partners LP.

Any assignment of an interest in these oil and gas leases to be effective must be approved by the North Dakota State Land Department. In addition, you will notice these leases contain a number of special terms and conditions including special provisions for the calculation of payments of royalties.

These leases also lack any language related to pooling these leasehold interests for a spacing unit. The State Land Department has developed separate policies related to committing these leases to a pooled unit.

Requirement:

1. If there are any assignments of interests in these oil and gas leases from the State of North Dakota, the assignments need to be approved by the State Land Department.
2. You should familiarize yourself with all of the special terms and conditions of the oil and gas leases from the State of North Dakota including how the payments of royalties are calculated.
3. If production is secured and these leases are committed to the pooled unit, the written consent from the State of North Dakota should be secured related to the pooling of these interests.

Requirement 30. Assignment of oil and gas lease number 3 above is from Empire Oil Company to Petroleum Development Corporation dated October 31, 2005. This assignment conveys all of the assignor's interest in oil and gas leases covering parts of Section 18.

This assignment contains the following language:

"The Assigned interest covered hereby is conveyed by Assignor and accepted by Assignee subject to that Agreement to Purchase Leases by and between the Assignee and E-M Resources et al dated September 22, 2005 and that certain Closing Letter Agreement between Assignee and E-M Resources et al. dated October 25, 2005."

We have not been provided with a copy of the above described Agreement to Purchase Leases or the Closing Letter Agreement. As this assignment has been made subject to these agreements, language from these other agreements might change the interpretation of this assignment.

Requirement:

You should submit for our examination a copy of the above described unrecorded Agreement to Purchase Leases and Closing Letter Agreement. Pending the examination of those documents, further requirements may be needed.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Poudre

June 5, 2017

44-18H well had been 1 month. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

1. This Oil and Gas Ownership and Leasehold Report should not be construed as rendering a legal opinion as to any matter covered herein. No liability whatsoever, whether express or implied, is assumed by Examiner as to the validity of the documents examined or the accuracy of the information presented herein.

2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.



MESA 11-31H

LAND COVERED BY REPORT

Township 163 North, Range 89 West, 5th P.M.

Section 31: Lots 1 (37.61), 2 (37.63), 3 (37.65),
4 (37.67), E/2, E/2 W/2

Burke County, North Dakota

Containing 630.56 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to January 15, 2007 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Mesa 11-31H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Beatty & Wozniak, P.C. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from January 15, 2007 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	59.301438%
Thurston Energy Investments 2, LLC	11.520683%
Radian Partnership, LP	9.564748%
Ralph Curton, Jr.	2.880171%
GCC Thurston Energy LP	2.880171%
VP5, LLC	2.880171%
Natural Resource Advisors LLC	2.880171%
Cyprus Opportunity Energy INC	2.869424%
SSN LLC	2.611512%
Patrick J. Cunningham	2.611512%

Lease Review

All leases except leases have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority. Please note that several leases contain a pugh clause, however, all pugh clauses contained in this unit only affect lands lying outside of the government authorized spacing unit. You should also be aware that multiple leases contain a 3 year limit on shut-in gas wells.

Leasehold defects

Our search did not uncover any defects in the leasehold title chain. However, you should be aware that Eagle Operating is missing from the provided Thurston JIB deck. We have been advised by Thurston Energy that Eagle Operating is a non-consent working interest owner.

Requirement Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed "advisory only".

Requirement 5. Oil and Gas Lease No. 1 is subject to an incorporated, unrecorded Side Letter Agreement of unknown date. The Materials Examined do not include a copy of this Side Letter Agreement.

REQUIREMENT: (a) You should be familiar with all special and/or nonstandard terms in Oil and Gas Lease No. 1.

REQUIREMENT: (b) You should obtain a copy of the above-reference unrecorded Side Letter Agreement and ensure that none of the terms therein affect your interests in Oil and Gas Lease No. 1 as set forth in this Opinion.

Requirement 7. The instruments set forth above in the section of this Opinion entitled "Assignments of Oil and Gas Leases" are subject to the following unrecorded agreements, which are not contained within the Materials Examined:

a. The Assignment of Oil and Gas Lease dated December 31, 1976, recorded on January 27, 1997, in Book 130 at Page 432, of the records of Burke County, North Dakota, is expressly subject to a Farmout Option Agreement dated July 30, 1976, between the parties.

b. the Assignment and Bill of Sale of Oil and Gas Properties and Reservation of Production Payment Interest dated May 5, 1977, recorded on November 18, 1977, in Book 134 at Page 34, of the records of Burke County, North Dakota, is expressly subject to (1) a Letter Agreement dated April 8, 1977, between the parties, (2) a Letter Agreement dated April 13, 1977, between Chandler & Associates, Inc. and Westcoast Oil and Gas Corporation, and (3) a Letter Agreement dated July 14, 1975, between Scurry-Rainbow Oil Limited and Anschutz Corporation.

c. The Assignment, Conveyance, and Bill of Sale dated June 29, 2000, effective June 1, 2000, and recorded on July 5, 2000, in Book 264 at Page 408, of the records of Burke County, North Dakota, is expressly subject to a Purchase and Sale Agreement dated June 9, 2000, between the parties.

REQUIREMENT: You should obtain true and complete copies of the above described unrecorded agreements, and satisfy ~elf that those agreements contain no terms or provisions that would affect your interests as set forth in this Opinion.

Requirement 10. As set forth above in the section of this Opinion entitled "Assignments of Oil and Gas Leases," by Assignment and Bill of Sale of Oil and Gas Properties and Reservation of Production Payment Interest dated May 5, 1977, recorded on November 18, 1977, in Book 134 at Page 34, of the records of Burke County, North Dakota, Anschutz Corporation assigned all of its right, title, and interest in Oil and Gas Lease Nos. 8-11 to Chandler & Associates, llc., reserving a production payment of \$200,000.00, payable from a reserved overriding royalty interest in Oil and Gas Lease Nos. 8-11 equal to the difference between existing lease burdens and 18.75%. The assignment further provides that once the full amount of the production payment has been delivered to the assignor, Anschutz Corporation, the full reserved overriding royalty interest is to become vested in the assignee, Chandler & Associates, Inc.

The Materials Examined contain no evidence that the full \$200,000.00 production payment has been delivered to the assignor, Anschutz Corporation. Moreover, the Assignment and Bill of Sale of Oil and Gas Properties and Reservation of Production Payment Interest dated May 5, 1977 provides express direction regarding the remittance of the production payment, and the rights of Anschutz Corporation to examination and audit of the assignee's production payment accounts.

Accordingly, for purposes of this Opinion, we have assumed that Anschutz Corporation, the assignor in the Assignment and Bill of Sale of Oil and Gas Properties and Reservation of Production Payment Interest dated May 5, 1977, has not yet received the full production payment amount of \$200,000.00. We therefore make the following requirement.

REQUIREMENT: You should conduct an investigation, and determine whether the \$200,000.00 production payment to Anschutz Corporation has been paid in full. You should submit any documentation obtained to us for further comment consistent with this Comment and Requirement.

Requirement 11. As set forth above in the section of this Opinion entitled "Assignments of Oil and Gas Leases," by Assignment of Oil and Gas Leases dated February 8, 1980, recorded on March 6, 1980, in Book 143 at Page 800, of the records of Burke County, North Dakota, Chandler & Associates, Inc. conveyed all of its right, title and interest in Oil and Gas Lease Nos. 8-11, insofar as the leases cover the E/2 NE/4 of Section 31, from the surface to the stratigraphic equivalent of 5,563', as encountered in the #1 Bruce Sorum Well.

The assignor, Chandler & Associates, Inc. reserved an overriding royalty interest in Oil and Gas Lease Nos. 8-11 equal to 1116th of 8/8ths of production, convertible after payout to a

50.0% working interest in Oil and Gas Lease Nos. 8-11, at the assignor's option. The Assignment of Oil and Gas Leases dated February 8, 1980 defines "payout" as "the point at which Assignee shall have recovered from the gross proceeds of oil and gas sold from the #1 Bruce Sorum Well, less operating expenses, production or severance tax, lessor royalty and overriding royalty in existence on the date of this Assignment, all of the costs of drilling, testing, completing, and equipping said well for production."

The Materials Examined contain no evidence that payout, as defined in the Assignment of Oil and Gas Leases dated February 8, 1980, and as relates to the overriding royalty interest reserved therein, has occurred. Further, the Materials Examined contain no evidence, in the event that payout has occurred, that the assignor in the Assignment of Oil and Gas Leases dated February 8, 1980, Chandler & Associates, Inc., has elected to exercise its 50.0% working interest option in Oil and Gas Lease Nos. 8-11.

Accordingly, for purposes of this Opinion, we have assumed that payout, as defined in the Assignment of Oil and Gas Leases dated February 8, 1980, has not yet occurred, and that in the event payout has occurred, that Chandler & Associates, Inc. has not elected for exercise its 50.0% working interest option in Oil and Gas Lease Nos. 8-11. We therefore make the following requirement.

REQUIREMENT: You should conduct an investigation, and determine whether payout, as defined in the Assignment of Oil and Gas Leases dated February 8, 1980, has occurred, or in the event payout has occurred, whether Chandler & Associates, Inc. has chosen to exercise its 50.0% working interest option in Oil and Gas Lease Nos. 8-11. You should submit any documentation obtained to us for further comment consistent with this Comment and Requirement.

Requirement 18. By Assignment of Overriding Royalty Interest dated August 15, 2000, effective May 1, 1984, and recorded on September 18, 2000, in Book 264 at Page 687, of the records of Burke County, North Dakota, Mountain States Gas Development Company assigned to Anschutz Foundation all of its 1.7% overriding royalty interest in Oil and Gas Lease No. 8. However, although the assignment was properly executed on August 15, 2000, the stated effective date for the assignment is nearly sixteen years prior to this execution date, or May 1, 1984. Based upon the Materials Examined, we can offer no opinion regarding the prior effective date of the Assignment of Overriding Royalty Interest dated August 15, 2000.

REQUIREMENT: You should ensure that any payments required to be made pursuant to the Assignment of Overriding Royalty Interest dated August 15, 2000 have been timely and properly paid to Mountain States Gas Development Company, given the effective date of the assignment. Please advise us if you require further comment and/or investigation regarding the effective date of the Assignment of Overriding Royalty Interest dated August 15, 2000.

Requirement 26. The materials examined contain the following conveyances:

a. Warranty Deed dated July 13, 1973, recorded on July 30, 1973, in Book 81 at Page 614, of the records of Burke County, North Dakota, wherein Fritz Peterson and Mildred

Peterson, as granters, conveyed a portion of Tract No. 1, more particularly described above in the section of this Opinion entitled "Surface Ownership," to the State of North Dakota, as grantee, for the use and benefit of the State Highway Department. The deed excepts and reserves "all oil, oil rights, natural gas, natural gas rights, and other fluid minerals" to the granters, but expressly waives "the right ever to drill, dig, or mine through the surface of [the conveyed lands] or otherwise endanger the safety of any highway that may be constructed on the lands hereby conveyed."

b. Warranty Deed dated January 16, 1962, recorded on February 13, 1962, in Book 71 at Page 192, of the records of Burke County, North Dakota, wherein Olga Sorensen and Frits Sorensen, as granters, conveyed a portion of Tract No. 3, more particularly described above in the section of this Opinion entitled "Surface Ownership," to the State of North Dakota, as grantee, for the use and benefit of the State Highway Department. The deed excepts and reserves "all oil, oil rights, natural gas, natural gas rights, and other fluid minerals" to the granters, but expressly waives "the right ever to drill, dig, or mine through the surface of [the conveyed lands] or otherwise ... endanger the safety of any highway that may be constructed on the lands hereby conveyed."

c. Warranty Deed dated April 5, 1967, recorded on May 8, 1967, in Book 75 at Page 75, of the records of Burke County, North Dakota, wherein Olga Sorensen and Frits Sorensen, as granters, conveyed a portion of Tract No. 3, more particularly described above in the section of this Opinion entitled "Surface Ownership," to the State of North Dakota, as grantee, for the use and benefit of the State Highway Department. The deed excepts and reserves "all oil, oil rights, natural gas, natural gas rights, and other fluid minerals" to the grantors, but expressly waives "the right ever to drill, dig, or mine through the surface of [the conveyed lands] or otherwise endanger the safety of any highway that may be constructed on the lands hereby conveyed."

d. Warranty Deed dated June 26, 1973, recorded on July 25, 1973, in Book 81 at Page 569, of the records of Burke County, North Dakota, wherein Olga Sorensen and Frits Sorensen, as grantors, conveyed a portion of Tract No. 3, more particularly described above in the section of this Opinion entitled "Surface Ownership," to the State of North Dakota, as grantee, for the use and benefit of the State Highway Department. The deed excepts and reserves all oil, oil rights, natural gas, natural gas rights, and other fluid minerals" to the grantors, but expressly waives "the right ever to drill, dig, or mine through the surface of [the conveyed lands] or otherwise ...endanger the safety of any highway that may be constructed on the lands hereby conveyed."

e. Warranty Deed dated January 16, 1962, recorded on February 5, 1962, in Book 71 at Page 180, of the records of Burke County, North Dakota, wherein Mavis Sorum and Bruce A. Sorum, as grantors, conveyed a portion of Tract No. 4, more particularly described above in the section of this Opinion entitled "Surface Ownership," to the State of North Dakota, as grantee, for the use and benefit of the State Highway Department. The deed excepts and reserves "all oil, oil rights, natural gas, natural gas rights, and other fluid minerals" to the grantors, but expressly waives "the right ever to drill, dig, or mine through the surface of [the conveyed lands] or

otherwise ... endanger the safety of any highway that may be constructed on the lands hereby conveyed."

Although the above-described deeds each contain an attached "Right-of-Way Plat," and refer to the conveyed land as a "Parcel No.," the language of the deeds nonetheless evidences a fee simple conveyance of a portion of the surface estate, with a reservation of the underlying mineral estate, rather than the mere conveyance of a right-of-way. N.D.C.C. § 47-10-13 (2006) (presuming a grant in fee simple unless it appears a lesser estate was intended). Moreover, the Materials Examined contain no evidence of condemnation or eminent domain proceedings regarding the above-described deeds.

However, although there is little question that the above-described deeds reserve to the granters all rights to oil, gas, and other fluid minerals underlying Tract Nos. 114, they nonetheless prohibit any drilling, digging, mining, or other operations which may endanger the state highway, from the surface of the lands conveyed. We therefore make the following Requirement.

REQUIREMENT: You should ensure that your operations on Tract Nos. 1-4 do not violate the terms of the above-described deeds. Please advise us if you need additional information regarding the terms of these deeds.

Requirement 31. The Materials Examined contain the following memoranda of unrecorded contracts:

a. Memorandum of Gas Gathering and Processing Agreement dated September 1, 1998, recorded on [unknown], in Book 260 at Page 145, of the records of Burke County, North Dakota, listing Burlington Resources Oil & Gas Company, *et al.*, as sellers and Bear Paw Energy, Inc. as processor, and pertaining to Tract Nos. 1-4.

b. Memorandum of Agreement dated October 1, 2000, recorded on [unknown], in Book 265 at Page 27 4, of the records of Burke County, North Dakota, listing Earl Schwartz Company, as seller and Bear Paw Energy, LLC, as processor, and pertaining to Tract Nos. 1-4.

REQUIREMENT: You should obtain true and complete copies of the above reference unrecorded agreements and ensure that none of the terms therein affect your interests in Tract Nos. 1-4 as set forth in this Opinion.

Requirement 40. This opinion is subject to the rights of all parties in possession of the premises and matters of survey which are not readily apparent from the materials examined by us, including easements and road and railroad rights-of-way, rights in reservoirs, ditches or laterals thereto, or mining activities, which may be located upon, traverse or occur upon Tract Nos. 1-4.

REQUIREMENT: Prior to conducting drilling operations upon Tract Nos. 1-4, a detailed inspection should be conducted of the surface of the lands, and you should be satisfied that none of the matters referenced above exists which would in any way be in

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derogation of the lessee's title. Particular attention should be directed toward any railroad track, spur or right-of-way, county road or state highway which may be located upon Tract Nos. 1-4 or any mining activities occurring thereon. If same are located, we should be advised, as further requirements may be indicated other than those set forth herein.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Mesa 11-31H well had been 4 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

1. This Oil and Gas Ownership and Leasehold Report should not be construed as rendering a legal opinion as to any matter covered herein. No liability whatsoever, whether express or implied, is assumed by Examiner as to the validity of the documents examined or the accuracy of the information presented herein.

2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.



February 25, 2020

MESA 44-10H

LAND COVERED BY REPORT

Township 163 North, Range 89 West, 5th P.M.

Section 10: All

Containing 640.00 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to October 30, 2007 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Mesa 44-10H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Beatty & Wozniak, P.C. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from October 30, 2007 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	62.00%
Thurston Energy Investments 2, LLC	12.50%
Radian Partnership, LP	10.00%
Ralph Curton, Jr.	3.125%
GCC Thurston Energy LP	3.125%
Natural Resources Advisors LLC	3.125%
VP5, LLC	3.125%
Cyprus Opportunity Energy Inc.	3.00%

Lease Review

All leases have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority.

Lease 1, 2, contain the following special provisions:

1. In the event the Lease is not otherwise being maintained in force, the Lease shall terminate at the end of the primary term as to (i) all the leased premises except for those leased premises located within a production or spacing unit prescribed by law or administrative authority on which is located a well producing or capable of production oil and/or gas or (ii) on which Lessee is engaged in drilling or reworking operations continuously prosecuted with no more than 180 days elapsing between the completion or abandonment of one well and the beginning of Operations for the drilling of another well.

2. Unless the lease is being maintained in force under other provisions hereof, or is shut in by order of any governmental agency with jurisdiction over such matters, the shut in royalty payments provided in numbered paragraph 5 shall serve to extend the Lease for a period not to exceed three (3) years beyond the expiration of the primary term or three (3) years from the date the last well is shut in, whichever is the later date.

3. The sum of Three Thousand Five Hundred Dollars (\$3,500.00) will be the amount paid for surface damages for each oil and/or gas well drilling site comprising not more than 3.500 acres including access ways. It is further agreed (i) that if acreage is needed to be utilized in excess of 3.500 acres, the damages to the acreage utilized in excess of 3.500 acres shall be compensated at the rate of Seven Hundred Dollars (\$700.00) per acre and (ii) that the black topsoil shall be removed by the use of a motorized scraper and stockpiled. In the event of a dry well or production, the black topsoil shall again be related and replaced by a motored scraper. It is the intent that all oil and/or gas wells drilling site construction and surface restoration will be done in substantially the same manner as was done on that oil and/or gas well drilled in the fall and early winter of 1992 on the SE/4 of Section 35, Township 160 North, Range 87 West, Ward County, North Dakota.

4. Where wetlands are involved environmental concerns may require the Lessee to obtain Section 404 permits from the U.S. Army Corps of Engineers. The parties also understand the need for compliance with the U.S. Department of Agriculture Sodbuster and Swampbuster regulations administered by the Soil Conservation Service of the USDA. Failure by the Lessee to comply with these can and likely will cause severe and significant economic loss to the Lessors in the form of lost agriculture and subsidy payments. To that end, where impacted by the applicable program, all drilling site locations and access routes will also be evaluated and reviewed with appropriate officials of the United States Department of Agriculture and all siting and access routes will and must bear the approval of the appropriate official with the Soil Conservation Service or other appropriate designated agency which administers these Sodbuster and Swampbuster regulations.

5. Lessee shall not build or place a drill site location, access road(s), or lay pipelines on the surface of the SE/4 of Section 10, Township 163 North, Range 89 West.

Lease 6-11 contains the following special provisions:

1. Notwithstanding anything herein to the contrary, at the end of the primary term of the lease, a well capable of production shall hold beyond the primary term only those lands covered by the lease which are located within the spacing unit set forth from time to time by the State of North Dakota; provided, however, Lessee may maintain the entire lease in full force and effect beyond the primary term, so long as the Lessee conducts continuous drilling operations on the lands covered thereby or on lands pooled therewith, it being understood that Lessee shall have satisfied the continuous operations requirement by allowing not more than 180 days to elapse between the completion of drilling operations on any given well and the commencement of a succeeding well.

Leasehold defects

Our search did not uncover any defects in the leasehold title chain.

Requirements Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed "advisory only".

11. Gordon Guerdett Life Estate. By Warranty Deed dated October 18, 2004, recorded on October 18, 2004 in Deeds Book 114 at page 137 in Burke County, Gordon Guerdett granted all of his right, title and interest in and to Tracts 3 and 4 to himself for life, with the remainder to Barbara Robbins, Jo Ann Detke, Lisa Hartel, Lori Guerdett, Raymond Guerdett and Debbie Footh, as tenants in common.

Lease No. 2 covering Tracts 3 and 4 was executed by Gordon J. Guerdett, also known as Gordon Guerdett, and is subsequent in time to the Warranty Deed dated October 18, 2004. Thus, at the time he executed Lease No. 2, Gordon Guerdett owned a life estate in Tracts 3 and 4 minerals. North Dakota Mineral Title Standard 7-03.1 (as revised 2005) states: "A mineral lease jointly executed by a life tenant and remainderman in fee simple, or a mineral lease executed by either the life tenant or remainderman in fee simple and ratified by the other interest owner, confers upon the lessee the right to enter the premise to explore for and develop minerals." The Comment to the standard further explains that unless the instrument creating the life estate establishes the right of development in a life tenant,

a mineral lease executed solely by a life tenant grants the lessee a right to enter the premises, but no right to explore for or develop the minerals.... [And] a mineral lease executed solely by a remainderman in fee simple . . . [grants the lessee] the right to explore for and develop minerals without liability for waste, but ... [with no] right to enter the premises until expiration of the preceding life estate.

We note that Warranty Deed dated October 18, 2004 expressly reserves "any and all of the right of ingress and egress for the purpose of exploring, developing and producing" the mineral interest covered. However, we think this deed's language is arguably not sufficiently comprehensive to allow for production and development beyond entry by a lessee. In this regard, an exception to the above rule, known as the "open mine doctrine," allows for continued development by a life tenant under an oil and gas lease which existed at the time the life estate was created.³ However, the materials examined do not establish whether any prior oil and gas lease covering Tracts 3 and 4 was valid and existing at the time the Warranty Deed dated October 18, 2004 was executed. Thus, in light of the above discussion regarding the validity of Lease No. 2, we make the following requirement.

REQUIREMENT: You should obtain a ratification or ratifications of Lease No. 2 executed with present language of lease and demise, by which Barbara Robbins, Jo Ann Detke, Lisa Hartel, Lori Guerdett, Raymond Guerdett and Debbie Footh ratify Lease No. 2 and lease Tracts 3 and 4 to the lessee under the terms of the lease. The ratification or ratifications should be recorded in Burke County.

13. Memoranda of Agreements. The materials examined include the following memoranda concerning various oil and gas agreements affecting the subject lands:

(a) Memorandum of Gas Gathering and Processing Agreement dated September 1, 1998, recorded on December 14, 1998 in Miscellaneous Book 260 at page 145 of Burke County, by and between Burlington Resources Oil & Gas Company, *et al.* ("Sellers") and Bear Paw Energy, Inc. ("Processor"), pertaining to the subject lands, and other lands.

(b) Memorandum of Agreement dated October 1, 2000, recorded on January 8, 2001 in Miscellaneous Book 265 at page 274 of Burke County, by and between Bear Paw Energy, LLC, a Delaware limited liability company ("Buyer/Processor") and Earl Schwartz Company ("Seller"), pertaining to the subject lands, and other lands.

REQUIREMENT: You should obtain true and complete copies of the above-referenced unrecorded agreements and ensure that none of the terms therein adversely affect your interests in Tracts 1-__ as set forth in this opinion, and you should be aware of the potential impact of the agreements on your gas marketing arrangements.

14. Unrecorded Agreements. We have noted in our tabulations of assignments in the sections above in this Opinion entitled "Assignments of Oil and Gas Leases" and "Assignments of Overriding Royalty Interests" where those assignments were subject to one or more unrecorded agreements. We were not provided with copies of those agreements and cannot comment as to the effect of such upon any of the assignments subject thereto.

REQUIREMENT: You should obtain and examine a copy of each of the unrecorded agreements referred to in the tabulations of assignments under "Assignments of Oil and Gas Leases" and "Assignments of Overriding Royalty Interests," and you should satisfy yourself that none of the agreements contain any calls on production or any other provisions inconsistent with the ownership as set forth in this

opinion. You should also be aware of the effect of any such unrecorded agreement on the manner in which production from the subject leases and lands is to be marketed.

18. Easements and Rights of Way. Your attention is invited to the easements and rights-of-way affecting the surface of the subject lands, identified and set forth more fully in the section of this opinion entitled "Easements and Rights of Way," above.

REQUIREMENT: You should be aware of the existence and location of each of the rights-of-way described in "Easements and Rights-of-Way" above in this opinion, and you should conduct your operations on the subject lands so as to avoid interfering with the rights of the owners thereof.

26. Judgments and Liens. The Materials Examined do not indicate that there are any judgments, transcripts of judgments or court actions, adjudicated or pending, on file or of record in Burke County, North Dakota involving record owners of interests in the subject lands and leases which could affect the title to the subject lands; no unsatisfied mechanic's or materialman's liens on file or of record in Burke County, North Dakota which could affect title to the subject lands; no unredeemed tax sales, unpaid taxes or special assessments due or delinquent against the subject lands which constitute a lien; or that the tax status of the subject lands is delinquent. However, we have not independently examined Burke County to determine whether there are any judgment or tax liens recorded against the interests of any of the tabulated owners or their predecessors in title for the applicable statutory limitation periods. We also have not independently examined the general index maintained by the County Clerk of Burke County, North Dakota for judgments, tax liens, or any other matters of record pertaining to the subject lands or record interest owners in and of the subject lands. In addition, the materials examined include no information regarding the payment of any severance, conservation, ad valorem or other production-based taxes which may burden production from portions of the subject lands.

REQUIREMENT: (a) You should conduct a review the general index maintained by the County Clerk of Burke County, North Dakota in order to satisfy yourself that there are no judgments, tax liens, or other matters of record against any of the owners tabulated above in this opinion or against any owner's predecessors in title. The examination should cover a period of time beginning ten years immediately preceding the certification date of this opinion to the present.

(b) You should satisfy yourself that all real estate taxes due on the subject lands have been fully paid, preferably by obtaining a certificate of taxes due from the Treasurer of Burke County, North Dakota. Further, you should satisfy yourself with respect to the timely payment of any and all ad valorem, severance, and conservation taxes covering production, if any, from the subject lands.

29. Special Districts. The subject lands may be subject to various special districts which might affect oil and gas operations. Any unpaid and past due assessments levied by these special taxing districts constitute a lien against the property. We have no information regarding any such unpaid assessments against the subject lands.

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REQUIREMENT: You should satisfy yourselves that there are no unpaid and past due assessments levied by any special districts affecting the subject property. You should conduct your operations with consideration for the presence of any surface districts.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Mesa 44-10H well had been 4 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

1. This Oil and Gas Ownership and Leasehold Report should not be construed as rendering a legal opinion as to any matter covered herein. No liability whatsoever, whether express or implied, is assumed by Examiner as to the validity of the documents examined or the accuracy of the information presented herein.

2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.



February 25, 2020

FORTIFICATION 11-19H

LAND COVERED BY REPORT

Township 162 North, Range 90 West
Section 19: Lots 1, 2, 3 & 4, E/2, E/2 W/2
containing 623.99 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to March 12, 2008 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Fortification 11-19H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Crowley, Haughey, Hanson, Toole & Dietrich, PLLP in aforementioned title opinion.
- Any defects of title found in leasehold title chain from March 12, 2008 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	39.204374%
Cornerstone Natural Resources LLC	36.767138%
Thurston Energy Investments 2, LLC	7.904108%
Radian Partnership, LP	6.323286%
Ralph Curton, Jr.	1.976027%
Natural Resources Advisors LLC	1.976027%
GCC Thurston Energy LP	1.976027%
VP5, LLC	1.976027%
Cyprus Opportunity Energy Inc.	1.896986%

Lease Review

All leases have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority. Please note that several leases contain a

pugh clause, however, all pugh clauses contained in this unit only affect lands lying outside of the government authorized spacing unit. You should also be aware that multiple leases contain a 3 year limit on shut-in gas wells.

Leasehold defects

The working interest calculations are based on the assumption that the JIB decks provided in 2017 were correct. Below is a list of leasehold issues:

1. Niwot Resources, LLC appears to own a portion of the WI that is unaccounted for in Thurston JIB decks. I have been advised by Thurston Energy that they are a non-consent owner.
2. Title opinion lease numbers 14-21 appear to still be owned by Bayswater, Blue Lion, Cornerstone, Gunlikson, Maxenergy and Prima. You should seek a legal opinion as to whether the wellbore for Fortification 11-19H was assigned by these parties. **This appears to be cured. It is our recommendation that you seek a legal opinion.**
3. Title opinion lease number 22, lessor Earl Schwartz, Book 293, Page 774, appears to be mistakenly omitted from Assignment # 241068 with assignor Marshall Resources, LLC and lessee Star Mesa. **This appears to be cured. It is our recommendation that you seek a legal opinion.**
4. Jones-Daube Mineral Company appears to be an unleased mineral owner. According to Thurston Energy, Jones-Daube is now a non-consent owner.

Requirement Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed "advisory only".

Requirement 3. Succession to Alice Lawson Willard. Alice Lawson Willard was vested of record with a 0.69445% mineral interest in Lots 1-3, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, and NE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 19. An oil and gas lease (Exhibit A, 14) indicates that Alice is deceased. No other evidence of her death or the succession to her interest is of record.

Requirement: Succession to 'Alice Lawson Willard's mineral interest must be established in the Burke County records. North Dakota probate proceedings are required to confirm a decedent's successors.

Requirement 8. Strangers to Title. The chain of title to the NW $\frac{1}{4}$ of Section 19 contains a Personal Representative's Deed of Distribution for the Estate of Donald L. Bagwell (Book 118, p. 60). Donald L. Bagwell does not have an interest of record in the NW $\frac{1}{4}$. Thus, we have treated this deed as wild and have disregarded it.

The chain of title to Section 19 contains an Assignment of Overriding Royalty Interest executed by Paula J. Scanland to the Paula J. Scanland Trust (Book 300, p. 5). Paula J. Scanland does not have an interest of record in Section 19. Thus, we have treated this assignment as wild and have disregarded it.

The chain of title to Section 19 contains a Proof of Death and Heirship for Robert Zimmerman (Book 294, p. 318). Robert Zimmerman does not have an interest of record in Section 19.

Requirement: Inquiry should be made of the parties to the above referenced instrument to determine what interest, if any, the parties claim or claimed in Section 19. The results of said investigation, if inconsistent with our conclusion, should be submitted to us for our review and further comment and requirement.

Requirement 11. Unleased Interests. Leases covering the unleased oil and gas interests noted above must be recorded in Burke County for full leasehold coverage. Any succession to a record owner's interest must be confirmed in the Burke County records. North Dakota probate proceedings are required to confirm succession to a decedent's interests.

Requirement: As stated.

Requirement 12. Succession to Chandler & Associates, Inc. Chandler & Associates, Inc. was vested of record with an interest in Leases 14-21 (Exhibit A) when Shenandoah Operating Company, LLC executed Assignment 22 (Exhibit B). We have information indicating Shenandoah Operating Company, LLC succeeded to the interest of Chandler & Associates, Inc. so, for purposes of this opinion, we have treated Assignment 22 as conveying the entire interest in Leases 14-21 that was vested in Chandler & Associates, Inc.

Requirement: Confirm to your satisfaction that Shenandoah Operating Company, LLC succeeded to the entire interest of Chandler & Associates, Inc. in Leases 14-21. If you discover our assumption is incorrect, please advise so we may revise our opinion accordingly.

Requirement 13. Leases Held By Production. Leases 14-21 (Exhibit A) are past their primary terms but appear to be held by production in the SE $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 25.

Requirement: Confirm that Leases 14-21 are in good standing and continue in full force and effect, and that all bonuses, rentals, royalties, if any, and any other considerations, have been timely and properly paid or tendered.,

Requirement 14. Entirety Clauses. Leases 14-21 (Exhibit A) contain entirety clauses. Such clauses are extremely troublesome in application. For drilling purposes, the principal concern arising from an entirety clause is the possibility that as a result thereof the lessee may be required to pay royalties in excess of the amount stated in the lease. However, it is impossible to determine whether or not this might occur without examining title to all of the land covered by the lease. Unfortunately, we have examined title to only a portion of the covered land. For purposes of this opinion, we have prepared division order interests based on the following assumptions: (i) ownership is uniform throughout the land covered by the leases; and (ii) there are no severed landowner royalty interests burdening the leased interests.

Requirement: For drilling purposes, if you wish to avoid the risk of excess royalties, confirm assumption (ii) is accurate. In the event of production, it is important to confirm both assumptions are accurate. If these assumptions are not accurate, please advise so we may revise our opinion accordingly.

Requirement 16. Unrecorded Agreements. There appears of record a Memorandum of Gas Gathering and Processing Agreement (Book 260, p. 145) describing an agreement between Burlington Resources Oil & Gas Company et al. as Seller and Bear Paw Energy Inc. as Processor covering the subject township among other land.

Additionally, there appears of record a Memorandum of Agreement (Book 265, p. 274) describing a Gas Purchase Agreement between Earl Schwartz Company as Seller and Bear paw Energy, LLC as Buyer/Processor covering the subject township among other land.

We have not examined the underlying agreements and this opinion is subject to the provisions of such agreements.

Requirement: Ensure you are familiar with the terms and conditions of these agreements.

Requirement 18. Taxes, Judgments & Liens. Since we have only examined the County Clerk and/or Recorder records as reflected by tract indices, you must confirm that the other County records do not show any liens, delinquent taxes or judgments against any interest owner in the subject lands.

Requirement: As stated.

Requirement 21. Production Affidavit. In the event of production, an appropriate affidavit should be recorded in the county under N.D. Cent. Code § 4 7-16-40.

Requirement: As stated.

Requirement 22. Prior Unreleased Leases. You should confirm that any prior oil and gas leases listed on Exhibit D have expired by recording releases executed by the current owners, or you may elect to rely on appropriate affidavits of non-development. See Exhibit D for the lands covered by the unreleased leases. Affidavits have been recorded for Section 19 in 1998 (Book 260, pp. 629, 630). An Affidavit has been recorded for the N½ and N½SW¼ of Section 19 in 1978 (Book 138, p. 268). An Affidavit has been recorded for Lots 1-3, E½, E½NW¼ and NE¼SW¼ of Section 19 in 2007 (Book 294, p. 444).

Requirement: As stated.

Requirement 24. Easements & Rights-of-Way. Ensure that your operations do not interfere with the easements and rights-of-way listed on Exhibit D. There appears of record a right of way plat for a 0.73 acre tract in the S½SW¼ of Section 19 but no easement or grant concerning the tract is of record (Book 3P, p. 15). Additionally, a mortgage by Montana-Dakota Utilities Co. (Book 137, p. 615) indicates an electric transmission easement covers portions of Section 19 but the easement does not appear of record.

Requirement: As stated; Advisory.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Fortification 11-19H well had been 6 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

Disclaimer

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MESA 24-2H

LAND COVERED BY REPORT

Township 163 North, Range 89 West, 5th P.M.

Section 2: Lots 3, 4, S/2 NW/4, S/2

Section 3: Lots 1, 2, S/2 NE/4, SE/4

Containing 800.56 acres, more or less

This is a due diligence report that relied upon a title opinion provided by Thurston Energy Investments 2, LLC. Therefore, all title prior to July 15, 2008 was assumed to be up to date and correct on said opinion. This report will cover:

- Leasehold title on all leases pertaining to the Mesa 24-2H spacing unit thru February 12, 2020.
- A review of all pertinent leases to confirm there are no provisions that would limit further drilling or recompletions.
- A check of satisfaction of requirements made by Beatty & Wozniak, P.C. in aforementioned title opinion.
- Any defects of title found in leasehold title chain from July 15, 2008 to February 12, 2020.
- HBP status of leases

Working Interest Owner's as of February 12, 2020

Israel Opportunity Energy Inc.	62.00%
Thurston Energy Investments 2, LLC	12.50%
Radian Partnership, LP	10.00%
Ralph Curton, Jr.	3.125%
GCC Thurston Energy LP	3.125%
Natural Resources Advisors LLC	3.125%
VP5, LLC	3.125%
Cyprus Opportunity Energy Inc.	3.00%

Lease Review

All leases except leases have a broad form pooling clause, with provision for unitization or cooperative development authorized by governmental authority. Please note that several leases contain a pugh clause, however, all pugh clauses contained in this unit only affect lands lying outside of the government authorized spacing unit. You should also be aware that multiple leases contain a 3 year limit on shut-in gas wells. You should familiarize yourself with the surface provisions in Lease No. 5.

Leasehold defects

Lease No. 2 with Lessee Douglas Rohn found in Book 299, Page 534, is not within the exhibit from Assignment with Instrument No. 261672. This assignment is from Thurston Energy Investments 2, LLC to Ralph Curton, Jr. This omission creates a discrepancy between the JIB deck provided by Thurston Energy and our findings. However, we have presented the ownership interest in this report to reflect as if the originally provided JIB deck was correct.

Requirement Satisfaction

The following is a list of requirements from provided title opinion that we could not verify satisfaction. This list does not include requirements that were deemed "advisory only".

14. Memoranda of Agreements. The materials examined include the following memoranda concerning various oil and gas agreements affecting the subject lands:

(a) Memorandum of Gas Gathering and Processing Agreement dated September 1, 1998, recorded on December 14, 1998 in Miscellaneous Book 260 at page 145 of Burke County, by and between Burlington Resources Oil & Gas Company, *et al.* ("Sellers") and Bear Paw Energy, Inc. ("Processor").

(b) Memorandum of Agreement dated October 1, 2000, recorded on January 8, 2001 in Miscellaneous Book 265 at page 274 of Burke County, by and between Bear Paw Energy, LLC, a Delaware limited liability company ("Buyer/Processor") and Earl Schwartz Company ("Seller").

REQUIREMENT: You should obtain true and complete copies of the above-referenced unrecorded agreements and ensure that none of the terms therein adversely affect your interests in Tracts 1-4 as set forth in this opinion, and you should be aware of the potential impact of the agreements on your gas marketing arrangements.

HBP Status

A search of the North Dakota Industrial Commission, Department of Mineral Resources production recorders was conducted on May 31, 2017 to determine there was no extended lapse in production. According to the ND DMR, the longest cessation of production for the Mesa 24-2H well had been 6 months. We recommend you request run tickets from June 2017 to present in order to determine that there has been continued production.

February 25, 2020

Disclaimer

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2. This Oil and Gas Ownership and Leasehold Report may not be relied upon by any third party.

	2017												2018												2019											
	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.					
Crystal 44-18	147	75	0	291	173	169	164	155	8	0	164	249	391	246	209	178	129	131	30	83	0	38	130	149	116	75	121	76	128	126	151					
Fortification 11-19	1	0	30	1	0	0	0	77	40	0	0	0	14	0	0	0	0	0	0	0	0	43	5	5	0	2	1	0	0	0	18					
Mesa 24-2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
Mesa 11-31	0	0	0	0	0	0	0	0	0	0	3	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0					
Mesa 13-29	0	0	0	252	164	138	164	79	38	0	399	467	297	236	177	159	177	205	85	227	0	76	157	150	120	184	110	105	133	222	253					
Mesa 44-10	299	321	299	262	286	229	219	194	159	105	192	265	248	215	192	28	0	13	0	0	0	0	0	0	3	129	244	201	156	163	137	27				
Wildhorse 11-24	0	0	101	2	0	0	0	55	326	165	273	270	263	272	243	212	192	194	0	161	85	337	233	282	315	304	288	273	295	248	271	715				
Poudre 44-18	203	271	170	222	156	0	0	0	0	0	655	2978	2422	2261	2399	2176	2110	1610	1600	2675	1445	1347	117	1563	1236	1160	995	1039	792	919	715	715				

Produced Gas but No Sales

Applicants who received this Offer from their broker must return their Application Form and Application Monies back to their broker

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
Joint Holdings	Mr John Richard Sample & Mrs Anne Sample	John Richard & Anne Sample
Company	ABC Pty Ltd	ABC P/L or ABC Co
Trusts	Mr John Richard Sample <Sample Family A/C>	John Sample Family Company
Superannuation Funds	Mr John Sample & Mrs Anne Sample <Sample Family Super A/C>	John & Anne Superannuation Fund
Partnerships	Mr John Sample & Mr Richard Sample <Sample & Son A/C>	John Sample & Son
Clubs/Unincorporated Bodies	Mr John Sample <Health Club A/C>	Health Club
Deceased Estates	Mr John Sample <Estate Late Anne Sample A/C>	Anne Sample (Deceased)

INSTRUCTIONS FOR COMPLETING THE FORM

YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

This is an Application Form for Fully Paid Ordinary Shares in Hawkley Oil And Gas Limited ACN 115 712 162 (the "Company") made under the terms set out in the Prospectus dated 6 April 2020.

Capitalised terms not otherwise defined in this document has the meaning given to them in the Prospectus. The Prospectus contains important information relevant to your decision to invest and you should read the entire Prospectus before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the Prospectus and any supplementary Prospectus (if applicable). While the Prospectus is current, the Company will send paper copies of the Prospectus, and any supplementary Prospectus (if applicable) and an Application Form, on request and without charge.

- Shares Applied For & Payment Amount** - Enter the number of Shares you wish to apply for. Applications under the Offer must be for a minimum of \$2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of \$200 worth of Shares (6,667 Shares).
- Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (WST) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/-/home>
- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ("SRN") will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for applications made through this application form can only be made by cheque. Payment can be made by both BPAY and EFT but only by making an online application, which can be accessed by following the web address provided on the front of the application form. Do not forward cash with this Application Form as it will not be accepted.

Your cheque must be made payable to "Hawkley Oil And Gas Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus)
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of ages;
- Agree to be bound by the constitution of the Company;
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital; and
- Agree to be bound by the terms of the Public Offer.

LODGE MENT INSTRUCTIONS

The Public Offer opens on 6 April 2020. The Public Offer is expected to close on 4 May 2020. The Directors reserve the right to close the offer at any time once sufficient funds are received. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be submitted:

By Post:

Hawkley Oil And Gas Limited
C/- Automic Pty Ltd
GPO Box 5193
SYDNEY NSW 2001



By Hand Delivery:

Hawkley Oil And Gas Limited
C/- Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000



Your Application Form must be received by no later than:
4 May 2020
(unless extended or closed earlier)

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:



PHONE:

1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia



LIVE WEBCHAT:

Go to www.automicgroup.com.au



EMAIL:

corporate.actions@automicgroup.com.au



Applicants who received this Offer from their broker must return their Application Form and Application Monies back to their broker

CORRECT FORMS OF REGISTRABLE TITLE

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual	Mr John Richard Sample	J R Sample
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- Shares Applied For & Payment Amount** - Enter the number of Shares you wish to apply for. Applications under the Offer must be for a minimum of \$2,000 worth of Shares (66,667 Shares) and thereafter, in multiples of \$200 worth of Shares (6,667 Shares).
- Applicant Name(s) and Postal Address** - ONLY legal entities can hold Shares. The application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (WST) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/-/home>
- CHESSE Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESSE

subregister, enter your CHESSE HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" ("SRN") will be allocated to you.

- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for applications made through this application form can only be made by cheque. Payment can be made by both BPAY and EFT but only by making an online application, which can be accessed by following the web address provided on the front of the application form. Do not forward cash with this Application Form as it will not be accepted.

Your cheque must be made payable to "Hawkley Oil And Gas Limited" and drawn on an Australian bank and expressed in Australian currency and crossed "Not Negotiable". Cheques or bank drafts drawn on overseas banks in Australian or any foreign currency will NOT be accepted. Any such cheques will be returned and the acceptance deemed to be invalid. Sufficient cleared funds should be held in your account as your acceptance may be rejected if your cheque is dishonoured.

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- Have received a copy of the Prospectus, either in printed or electronic form and have read the Prospectus in full;
- Have completed this Application Form in accordance with the instructions on the form and in the Prospectus;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Agree and consent to the Company collecting, holding, using and disclosing my/our personal information in accordance with the Prospectus
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Acknowledge that once the Company accepts my/our Application Form, I/we may not withdraw it;
- Apply for the number of Shares that I/we apply for (or a lower number allocated in a manner allowed under the Prospectus)
- Acknowledge that my/our Application may be rejected by the Company in its absolute discretion;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Am/are over 18 years of ages;
- Agree to be bound by the constitution of the Company;
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital; and
- Agree to be bound by the terms of the Priority Offer.

LODGE MENT INSTRUCTIONS

The Priority Offer opens on 6 April 2020. The Priority Offer is expected to close on 4 May 2020. The Directors reserve the right to close the offer at any time once sufficient funds are received. Applicants are therefore encouraged to submit their Applications as early as possible. Completed Application Forms and cheques must be submitted:

By Post:



Hawkley Oil And Gas Limited
C/- Automic Pty Ltd
GPO Box 5193
SYDNEY NSW 2001

By Hand Delivery:



Hawkley Oil And Gas Limited
C/- Automic Pty Ltd
Level 5, 126 Phillip Street
SYDNEY NSW 2000

Your Application Form must be received by no later than:
4 May 2020
(unless extended or closed earlier)

ASSISTANCE

Need help with your application, no problem. Please contact Automic on:



PHONE:

1300 288 664 within Australia
+61 (2) 9698 5414 from outside Australia



LIVE WEBCHAT:

Go to www.automicgroup.com.au



EMAIL:

corporate.actions@automicgroup.com.au

