

Hawkley Oil and Gas Limited

Consolidated Interim Financial Report

A.B.N. 68 115 712 162

For the Half-Year Ended 31 December 2017

Hawkley Oil and Gas Limited

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For the Half-Year Ended 31 December 2017

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Directors' Report

31 December 2017

Your directors submit their report, together with the interim financial statements of the Group, being Hawkley Oil and Gas Limited (the company) and its controlled entities (the Group) for the half year ended 31 December 2017.

Directors

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

Names	Position
Mr. David Lloyd	Non-Executive Chairman
Mr. Edmund Babington	Non-Executive Director
Mr. Bill Foster	Non-Executive Director

Company Secretary

Mr. Murray Wylie

Operating results

The consolidated loss of the Group for the half year ended 31 December 2017 amounted to \$94,473 (31 December 2016: \$12,882,123 profit).

Review of operations

After the halt in production of gas and gas condensate from the Company's Sorochynska 201 well in Ukraine in December 2014 and given the ongoing political tensions and conflict between Ukraine and Russia, the Company was unable to attract any investment monies for the Ukraine oil & gas assets so it proceeded to sell them. The sale was eventually completed in November 2016.

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

Prior to its suspension from the ASX, the Company sought suitable oil & gas opportunities that would satisfy ASX requirements and not require significant acquisition capital to be raised. The Company could not locate a suitable acquisition in the time available and the ASX has indicated that in order to resume trading the Company is likely to be required to undergo full recompliance with Chapters 1 and 2 of the Listing Rules.

During the reporting period, the Company has continued to pursue investment opportunities in the oil & gas sector as well as considering potential corporate transactions in other sectors that would support recapitalisation of the Company and satisfy ASX requirements for a resumption of share trading. Whilst a number of potential transactions have been considered, none have so far met these criteria. A number of opportunities are currently being studied, although none are at an advanced stage.

Directors' Report

31 December 2017

EVENTS SUBSEQUENT TO BALANCE DATE


There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to effect:

- i. the Consolidated Entity's operations in future financial years; or
- ii. the results of those operations in future financial years; or
- iii. the Consolidated Entity's state of affairs in future financial years.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2017 has been received and can be found on page 4 of the financial report.

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

Director: 
.....
Mr. David Lloyd

Dated 15 March 2018

Hawkley Oil and Gas Limited

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the consolidated group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date.
2. Subject to the matters outlined in Note 1, in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Director:

Mr. David Lloyd

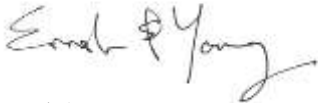
Dated 15 March 2018

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

As lead auditor for the review of Hawkley Oil and Gas Limited for the half-year ended 31 December 2017, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Darryn Hall
Partner
Perth
15 March 2018

Hawley Oil and Gas Limited

Consolidated Statement of Comprehensive Income For the Half Year Ended 31 December 2017

	31 December 2017 \$	31 December 2016 \$
Revenue	-	-
Other income	200	125
Administrative expenses	(94,652)	(159,561)
Gains/(loss) on foreign currency	(21)	5,116
Loss before income tax from continuing operations	(94,473)	(154,320)
Income tax benefit/(expense)	-	-
Loss after tax for the half year from continuing operations	(94,473)	(154,320)
Discontinued operation		
Profit/(loss) after tax for the discontinued operation	3	- 13,036,443
Profit/(loss) after tax for the half year	(94,473)	12,882,123
Other comprehensive income, net of income tax		
Items that will be reclassified to profit or loss when specific conditions are met		
Foreign exchange differences on translation of foreign operations	-	19,156
Foreign exchange differences transferred to profit and loss on disposal of foreign operations	-	(12,068,988)
Total comprehensive profit/(loss) for the half year	(94,473)	832,291
Profit/(loss) attributable to:		
Members of the parent entity	(94,473)	832,291
Total comprehensive profit/(loss) attributable to:		
Members of the parent entity	(94,473)	832,291
Earnings per share		
From continuing and discontinued operations:		
Basic earnings/(loss) per share (cents)	(0.02)	3.89
Diluted earnings/(loss) per share (cents)	(0.02)	3.89
From continuing operations:		
Basic loss per share (cents)	(0.02)	(0.04)
Diluted loss per share (cents)	(0.02)	(0.04)

The accompanying notes form part of these financial statements.

Hawkley Oil and Gas Limited

Consolidated Statement of Financial Position

As at 31 December 2017

	31 December 2017	30 June 2017
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	40,084	124,881
Trade and other receivables	2,450	24,899
Other assets	15,343	579
TOTAL CURRENT ASSETS	<u>57,877</u>	<u>150,359</u>
TOTAL ASSETS	<u>57,877</u>	<u>150,359</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	84,140	82,149
TOTAL CURRENT LIABILITIES	<u>84,140</u>	<u>82,149</u>
TOTAL LIABILITIES	<u>84,140</u>	<u>82,149</u>
NET ASSETS/(LIABILITIES)	<u>(26,263)</u>	<u>68,210</u>
EQUITY		
Issued capital	4 38,974,788	38,974,788
Reserves	4,043,067	4,043,067
Accumulated losses	(43,044,118)	(42,949,645)
TOTAL EQUITY	<u>(26,263)</u>	<u>68,210</u>

The accompanying notes form part of these financial statements.

Hawkley Oil and Gas Limited

Consolidated Statement of Changes in Equity

For the Half-Year Ended 31 December 2017

31 December 2017

	Ordinary Shares	Accumulated losses	Foreign Currency Translation Reserve	Convertible Note 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 the entity	-	(94,473)	-	-	-	(94,473)
Other comprehensive income	-	-	-	-	-	-
Balance at 31 December 2017	38,974,788	(43,044,118)	-	(687,907)	4,730,974	(26,263)

31 December 2016

	Ordinary Shares	Accumulated losses	Foreign Currency Translation Reserve	Convertible Note Reserve	Share Based Payment Reserve	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	38,478,325	(55,756,019)	12,049,832	(687,907)	4,720,834	(1,194,935)
Profit attributable to members of the entity	-	12,882,123	-	-	-	12,882,123
Other comprehensive income	-	-	19,156	-	-	19,156
Exchange difference transferred to profit or loss on disposal of foreign operations	-	-	(12,068,988)	-	-	(12,068,988)
Balance at 31 December 2016	38,478,325	(42,873,896)	-	(687,907)	4,720,834	(362,644)

The accompanying notes form part of these financial statements.

Hawkley Oil and Gas Limited

Consolidated Statement of Cash Flows For the Half-Year Ended 31 December 2017

	31 December 2017	31 December 2016
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(84,979)	(520,945)
Interest received	200	125
Net cash used in operating activities	<u>(84,779)</u>	<u>(520,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of foreign operations	3 -	922,621
Net cash provided by investing activities	<u>-</u>	<u>922,621</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of borrowings	-	(571,334)
Interest paid	-	(26,806)
Net cash used in financing activities	<u>-</u>	<u>(598,140)</u>
Net decrease in cash and cash equivalents held	(84,779)	(196,339)
Cash and cash equivalents at beginning of year	124,881	238,809
Effects of exchange rate changes on cash and cash equivalents	(18)	(7,314)
Cash and cash equivalents at end of the half year	<u>40,084</u>	<u>35,156</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2017

1 Basis of preparation

This consolidated interim financial report for the half year ending 31 December 2017 is a general purpose condensed financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

The interim consolidated financial report is intended to provide users with an update on the latest annual financial statements of Hawkley Oil and Gas Limited and controlled entities (the Group). As such it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. This interim consolidated financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2017, together with any public announcements made during the half year.

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

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

All other new standards and interpretations effective from 1 July 2017 were adopted with the main impact being disclosure changes. Changes to accounting policies due to the adoption of these standards and interpretations are not considered significant for the Group.

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 2017, the Group generated a loss of \$94,473. As at 31 December 2017, the Group has cash and cash equivalents of \$40,084 and net liabilities of (\$26,263). Current liabilities of \$84,140 at 31 December 2017, includes \$68,306 in outstanding fees owed to directors.

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

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

- i) The directors having resolved not to seek repayment of monies owed or owing to them, forecasted to total \$173,306 over the next twelve months from the date of this report, should such repayments place the Group in a position where it would be unable to pay its debts as and when they fall due.
- ii) The directors are actively investigating opportunities for acquisitions or corporate transactions that would enable the Company to be recapitalised and satisfy ASX requirements in order to resume trading on the ASX.
- iii) A related party has agreed to provide additional funding over the next twelve months from the date of this report in the event that the Group is not able to be successfully recapitalised within that time.

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

The consolidated 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 Consolidated Entity not be able to continue as a going concern.

Notes to the Financial Statements
For the Half-Year Ended 31 December 2017

2 Operating segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

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

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

3 Discontinued operation

During the period ended 31 December 2017, there were no discontinued operations.

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

	Period ended 11 November 2016 \$
<i>Plant and equipment</i>	
Revenue	-
Other income	337
Administrative expenses	(354,510)
Gains/(loss) on foreign currency	1,562
Gain on sale of Janita Global Holdings Limited	<u>13,389,054</u>
Profit/(loss) before tax from a discontinued operation	13,036,443
Income tax	-
Profit/(loss) from a discontinued operation	<u><u>13,036,443</u></u>
Earnings/(loss) per share	
From discontinued operations:	
Basic loss per share (cents)	3.93
Diluted loss per share (cents)	3.93
The net cash flows of the discontinued operation are as follows:	
Operating	<u>(130,430)</u>
Net cash outflow	<u><u>(130,430)</u></u>

Notes to the Financial Statements
For the Half-Year Ended 31 December 2017

3 Discontinued operation (continued)

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

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

- (i) Excludes US\$100,000 deposit received in previous financial year and US\$200,000 liabilities of Hawkley that were assumed by the purchaser and included in trade and other payables disposed.

Notes to the Financial Statements
For the Half-Year Ended 31 December 2017

4 Issued capital

	31 December 2017	30 June 2017
	\$	\$
456,239,077 (30 June 2017: 456,239,077) Share capital - Ordinary	43,050,015	43,050,015
Share issue costs	(4,075,227)	(4,075,227)
Total	<u>38,974,788</u>	<u>38,974,788</u>

5 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 31 December 2017 (30 June 2017: nil).

6 Events occurring after the reporting date

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

7 Fair value measurement

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

Independent Auditor's Review Report to the Members of Hawkley Oil & Gas Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Hawkley Oil and Gas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter - Material Uncertainty Related to Going Concern

Without modifying our conclusion, we draw attention to Note 1 in the financial report which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Ernst & Young



Darryn Hall
Partner
Perth
15 March 2018