

HAWKLEY OIL AND GAS LIMITED
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2018

HAWKLEY OIL AND GAS LIMITED

FOR THE YEAR ENDED 30 JUNE 2018

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HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

Your directors present their report for the financial year ended 30 June 2018.

DIRECTORS

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

NAMES	POSITION
Mr. David Lloyd	Non-Executive Chairman
Mr. Bill Foster	Non-Executive Director
Mr. Edmund Babington	Non-Executive Director

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

COMPANY SECRETARY

Mr. Murray Wylie was appointed on 3 May 2013. He has more than 30 years' experience in administrative and accounting roles in both the public and private sectors. Mr. Wylie holds a Bachelor of Commerce degree and is a member of the Governance Institute of Australia. He has 10 years' experience as Company Secretary of several ASX and AIM listed companies.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR

The consolidated loss of the Group for the financial year after providing for income tax amounted to \$221,494 (2017: \$12,806,374 profit). The consolidated loss from continuing operations for the financial year was \$221,494 (2017: \$230,069).

Further discussion on the Group's operations now follows.

CORPORATE

Following completion of the sale of its Ukraine Oil & Gas assets in November 2016, the Company has been actively pursuing new Oil & Gas acquisition opportunities in more politically stable regions, with a focus on projects in North America and Australia.

ASX policy, in accordance with Chapter 12 of the Listing Rules, is to allow companies that have disposed of their main undertakings a six-month period within which to satisfy ASX that the company has a sufficient level of operations to justify continued quotation of the Company's securities. Following the disposal of its Ukraine assets, 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.

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

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

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

The Company has identified certain assets that it believes would meet those criteria and is pursuing negotiations with the relevant parties however shareholders should be aware that there is no certainty of such discussions and negotiations leading to a transaction being concluded. Whilst negotiations and efforts to obtain approvals are proceeding, given the delays experienced so far, the Board is also considering opportunities in other sectors.

On 22 June 2018, the Company entered into an unsecured convertible loan agreement with Emco Capital Pty Ltd ("Emco"), an entity associated with the chairman, Mr. Lloyd. The agreement is to provide additional working capital of up to A\$300,000 to support the Company whilst it pursues a project acquisition, recapitalisation and recompliance with Chapters 1 and 2 of the ASX Listing Rules. Subject to shareholder approval, Hawkley may elect to convert the initial drawdown amount of A\$200,000 into fully paid ordinary shares in Hawkley at a conversion price of 0.2 cents per share (subject to adjustment in the event of a reorganisation of capital).

DIVIDENDS PAID OR RECOMMENDED

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

FINANCIAL POSITION

The net financial position of the Group has reduced to a net liability position of \$138,296 at 30 June 2018 (2017: net asset position of \$68,210). The reduction has resulted from overhead costs incurred whilst searching for a suitable transaction to recapitalise the Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the Group's state of affairs occurred during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

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

FUTURE DEVELOPMENTS

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

ENVIRONMENTAL ISSUES

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

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

INFORMATION ON DIRECTORS

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

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

INFORMATION ON DIRECTORS (CONTINUED)

Mr. Edmund Babington	Non-Executive Director
Experience	Mr. Babington is a Director of the Western Australian law firm, Lyons Babington Lawyers. He is also a member of AMPLA (the Australian resources and energy law association) and is a Western Australian committee member of the Australian Institute of Business Brokers. Mr. Babington is a specialist in mining and resources law and the law relating to capital raisings, stock exchange requirements, corporate governance and compliance for public companies.
Interest in Shares and Options at the date of this report	500,000 options exercisable at 0.5 cents expiring on or before 31 January 2020.
Directorships held in other listed entities during the three years prior to the current year	FYI Resources Ltd Empire Resources Ltd (alternate director) – appointed 12 July 2018, resigned 1 August 2018

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

	DIRECTORS' MEETINGS	
	NUMBER ELIGIBLE TO ATTEND	NUMBER ATTENDED
Mr David Lloyd	6	6
Mr Bill Foster	6	6
Mr Edmund Babington	6	6

INDEMNIFYING OFFICERS OR AUDITORS

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

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

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

OPTIONS/PERFORMANCE RIGHTS

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

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

During the year ended 30 June 2018, no ordinary shares of Hawkley Oil and Gas Limited (2017: nil) were issued on the exercise of performance rights. There were no ordinary shares of Hawkley Oil and Gas Limited issued on the exercise of options.

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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

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

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 12 of the financial report.

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

REMUNERATION REPORT (AUDITED)

REMUNERATION POLICY

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

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

Remuneration Committee

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

The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments (including option allocations) of such Officers on a periodic basis by reference to the relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and key management personnel. Due to the Company's current status, the Board has elected not to appoint separate committees with the functions of the Remuneration Committee being undertaken by the whole Board.

Executive Remuneration Structure

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

Fixed Remuneration

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

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

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

Variable Remuneration – Long Term Incentive (LTI)

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

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION POLICY (CONTINUED)

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

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

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

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

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

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

Non-executive Director Remuneration

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

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

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

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION POLICY (CONTINUED)

Remuneration, Company Performance and Shareholder Wealth

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

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

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

	2014	2015	2016	2017	2018
	\$	\$	\$	\$	\$
Net Profit/(Loss)	(23,535,043)	(15,881,750)	(718,589)	12,806,374	(221,494)
Share Price at year-end	0.017	0.005	0.003	0.003 *	0.003 *

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

EMPLOYMENT DETAILS OF MEMBERS OF KEY MANAGEMENT PERSONNEL AND OTHER EXECUTIVES

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

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

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

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

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

REMUNERATION REPORT (AUDITED) (CONTINUED)

REMUNERATION DETAILS FOR THE YEAR ENDED 30 JUNE 2018

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

Table of Benefits and Payments for the Year Ended 30 June 2018

		SHORT-TERM BENEFITS	POST-EMPLOY MENT BENEFITS	EQUITY-SETTLED SHARE-BASED PAYMENTS			
		SALARY AND FEES	SUPER- ANNUATION	OPTIONS / PERFORMANCE RIGHTS	TERMIN- ATION BENEFITS	TOTAL	PERFORMANCE RELATED
		\$	\$	\$	\$	\$	%
Key Management Personnel							
Mr David Lloyd	2018*	(12,306)	-	-	-	(12,306)	-
	2017	12,306	-	9,940	-	22,246	-
Mr Bill Foster	2018	42,000	-	-	-	42,000	-
	2017	39,000	-	-	-	39,000	-
Mr Edmund Babington	2018	42,000	-	-	-	42,000	-
	2017	12,306	-	200	-	12,506	-
Mr Murray Wylie	2018	38,356	3,644	-	-	42,000	-
	2017	42,466	4,034	-	-	46,500	-
Mr Glenn Featherby	2017**	(56,959)	-	-	-	(56,959)	-
Mr Piers Lewis	2017	25,000	-	-	-	25,000	-
	2018	110,050	3,644	-	-	113,694	-
	2017	74,119	4,034	10,140	-	88,293	-

* Includes forgiveness of \$12,306 in director fees during the year ended 30 June 2018 accrued during the previous year.

** Includes forgiveness of \$81,958 in director fees during the year ended 30 June 2017 associated with historical and current year director fees. This forgiveness took place subsequent to Mr Featherby resigning on 16 March 2017.

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

- Mr David Lloyd (appointed 16 March 2017);
- Mr Edmund Babington (appointed 16 March 2017);
- Mr Glenn Featherby (resigned 16 March 2017);
- Mr Murray Wylie (resigned as director 16 March 2017) remains in his role as Company Secretary;
- Mr Piers Lewis (resigned 16 March 2017);

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

REMUNERATION REPORT (AUDITED) (CONTINUED)

Other transactions and balances with KMP and their related parties

During the year office rental payments of \$12,000 (2017: \$17,000) were made to an entity associated with Mr Featherby.

Salary and fees for key management personnel includes \$110,306 directors' fees unpaid at 30 June 2018 (\$38,612 unpaid at 30 June 2017).

OPTIONS GRANTED

There were no options granted to key management personnel during the year ended 30 June 2018 (2017: 25,355,645).

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

	BALANCE AT BEGINNING OF YEAR	GRANTED DURING THE YEAR	EXPIRED DURING THE YEAR	BALANCE ON RESIGNATI ON	BALANCE AT END OF YEAR	VESTED DURING THE YEAR	VESTED AND EXERCISAB -LE	VESTED AND UNEXERCIS -ABLE
30 JUNE 2018								
Mr David Lloyd	24,855,645	-	-	-	24,855,645	-	24,855,645	-
Mr Bill Foster	2,000,000	-	-	-	2,000,000	-	2,000,000	-
Mr Edmund Babington	500,000	-	-	-	500,000	-	500,000	-
Mr Murray Wylie	-	-	-	-	-	-	-	-
	<u>27,355,645</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,355,645</u>	<u>-</u>	<u>27,355,645</u>	<u>-</u>

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

	BALANCE AT BEGINNING OF YEAR	ACQUIRED DURING THE YEAR	ISSUED ON EXERCISE OF OPTIONS DURING THE YEAR	BALANCE ON RESIGNATION	BALANCE AT END OF YEAR
30 June 2018					
Mr David Lloyd	49,711,290	-	-	-	49,711,290
Mr Bill Foster	10,853,810	-	-	-	10,853,810
Mr Edmund Babington	-	-	-	-	-
Mr Murray Wylie	-	-	-	-	-
	<u>60,565,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,565,100</u>

End of Remuneration Report (audited)

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2018

Voting and comment made on the Group's 2017 Annual General Meeting

The Group received approximately 99% (2016: 81%) of "yes" votes on its remuneration report for the year ended 30 June 2017.

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



Director:

Mr. David Lloyd

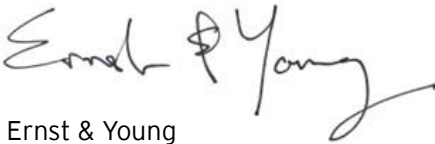
Dated 29 August 2018

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

As lead auditor for the audit of Hawkley Oil and Gas Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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



Ernst & Young



Darryn Hall
Partner
29 August 2018

HAWKLEY OIL AND GAS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

		2018	2017
		\$	\$
Continuing operations			
Other income	2(a)	12,533	82,347
Administrative expenses	2(b)	(233,888)	(307,648)
Interest expense		(219)	(10,721)
Gains/(loss) on foreign currency		80	5,953
		<hr/>	<hr/>
Loss before tax from continuing operations		(221,494)	(230,069)
Income tax benefit/(expense)	4(a)	-	-
		<hr/>	<hr/>
Loss for the year from continuing operations		(221,494)	(230,069)
Discontinued operation			
Profit/(loss) after tax for the year from discontinued operation	3	-	13,036,443
		<hr/>	<hr/>
Profit/(loss) for the year		(221,494)	12,806,374
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 reclassified to profit and loss on disposal of foreign operations	3	-	(12,068,988)
		<hr/>	<hr/>
Total comprehensive profit/(loss) for the year		(221,494)	756,542
Earnings per share:			
From continuing and discontinued operations			
Basic profit/(loss) per share	13	(0.001)	0.037
Diluted profit/(loss) per share	13	(0.001)	0.037
From continuing operations			
Basic loss per share	13	(0.001)	(0.001)
Diluted loss per share	13	(0.001)	(0.001)

HAWKLEY OIL AND GAS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	NOTE	2018 \$	2017 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	181,941	124,881
Trade and other receivables	7	1,957	24,899
Other assets	8	7,755	579
TOTAL CURRENT ASSETS		<u>191,653</u>	<u>150,359</u>
TOTAL ASSETS		<u><u>191,653</u></u>	<u><u>150,359</u></u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	9	144,718	82,149
Borrowings (interest bearing)	10	185,231	-
TOTAL CURRENT LIABILITIES		<u>329,949</u>	<u>82,149</u>
TOTAL LIABILITIES		<u>329,949</u>	<u>82,149</u>
NET ASSETS/(LIABILITIES)		<u><u>(138,296)</u></u>	<u><u>68,210</u></u>
EQUITY/(SHAREHOLDER'S DEFICIT)			
Issued capital	11	38,974,788	38,974,788
Reserves	12	4,058,055	4,043,067
Accumulated losses		(43,171,139)	(42,949,645)
TOTAL EQUITY/(SHAREHOLDERS' DEFICIT)		<u><u>(138,296)</u></u>	<u><u>68,210</u></u>

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

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

HAWKLEY OIL AND GAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2018

	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 the parent entity	-	(221,494)	-	-	(221,494)
Total other 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)

HAWKLEY OIL AND GAS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
NOTE	\$	\$
CASH FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(143,199)	(498,317)
Interest received	227	389
Net cash used in operating activities	<u>(142,972)</u>	<u>(497,928)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of foreign operations	-	791,154
Net cash from investing activities	<u>-</u>	<u>791,154</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	200,000	-
Repayment of borrowings	-	(571,334)
Interest paid	-	(26,806)
Proceeds from share issue	-	198,845
Net cash from/(used in) financing activities	<u>200,000</u>	<u>(399,295)</u>
Net cash increase (decrease) in cash and cash equivalents	57,028	(106,069)
Foreign exchange differences	32	(7,859)
Cash and cash equivalents at beginning of year	<u>124,881</u>	<u>238,809</u>
Cash and cash equivalents at end of financial year	<u>6</u> <u>181,941</u>	<u>124,881</u>

HAWKLEY OIL AND GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

1 CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Hawkley Oil and Gas Limited and the entities it controlled during the year ended 30 June 2018, and was authorised for issue in accordance with a resolution of the Directors on 29 August 2018.

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

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

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

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

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

Going concern

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

For the year ended 30 June 2018, the Group generated a loss of \$221,494. As at 30 June 2018, the Group has cash and cash equivalents of \$181,941 and a net deficiency of assets of \$138,296. Current liabilities of \$329,949 at 30 June 2018, includes \$110,306 in outstanding fees owed to current directors and a related party convertible loan of \$185,231 for which option to convert loan into shares is subject to Hawkley shareholder approval.

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

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

- i) The directors have agreed not to seek repayment of monies owed or owing to them, forecasted to total \$208,306 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) Subject to shareholder approval, the Company may elect to convert \$200,000 of the related party loan into equity. In the event that such conversion is not elected, the group will require additional funding in order to repay its debt as and when they fall due. It is the director's expectation that it is possible to secure such funding via an equity raising or a refinance of the loan facility.

HAWKLEY OIL AND GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

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

Should the directors not be able to achieve the matters set out above, there is significant uncertainty as to whether the Group will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

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

(A) PRINCIPLES OF CONSOLIDATION

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

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

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

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

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

(B) 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.

HAWKLEY OIL AND GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

(C) INCOME TAX (CONTINUED)

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

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

(D) EMPLOYEE BENEFITS

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

(E) PROVISIONS

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

(F) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency. As at 30 June 2018, all companies within the entity have Australian dollars as their functional currency.

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

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

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

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

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

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

(G) CASH AND CASH EQUIVALENTS

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

(H) FINANCIAL INSTRUMENTS

Initial recognition and measurement

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

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

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

(H) FINANCIAL INSTRUMENTS (CONTINUED)

(i) Loans and receivables

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

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

(ii) Financial liabilities

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

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.

DERECOGNITION

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

(I) TRADE AND OTHER PAYABLES

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

(J) GOODS AND SERVICES TAX (GST)

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.

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

(K) LEASES

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

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

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

(L) SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

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

HAWKLEY OIL AND GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

(M) CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

KEY JUDGEMENTS - SHARE-BASED PAYMENT TRANSACTIONS

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

KEY JUDGEMENTS – CONVERTIBLE LOAN

On issuance, the Group 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). The assumptions used for estimating fair value for convertible loan transactions are disclosed in Note 10.

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

From 1 July 2017 the Group has adopted all new and amended accounting standards mandatory for annual periods beginning on 1 July 2017. These have had no material impact on the Group.

A number of new Standards, amendment of Standards and interpretations have recently been issued but are not yet effective and have not been adopted by the Group as at the financial reporting date. It is not expected that the new or amended Standards will significantly affect the Group's accounting policies, financial position or performance.

Pronouncement	Title	Summary	Application Date
<i>AASB 9, and relevant amending standards</i>	Financial Instruments	<p>AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.</p> <p>Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.</p> <p>Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.</p> <p>There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss.</p>	1 July 2018

HAWKLEY OIL AND GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

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

HAWKLEY OIL AND GAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

Pronouncement	Title	Summary	Application Date
		<p>events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.</p> <p>Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.</p>	

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

2 PROFIT FOR THE YEAR

(A) OTHER INCOME

	2018	2017
	\$	\$
Interest income	227	389
Gain on director's fees forgiven	12,306	81,958
	<u>12,533</u>	<u>82,347</u>

(B) ADMINISTRATIVE EXPENSES

	2018	2017
	\$	\$
Corporate and other expenses	84,224	114,768
Share based payments	-	10,140
Travel and accommodation expenses	-	4,867
	<u>84,224</u>	<u>129,775</u>
Employee benefits expense		
Wages and salaries	38,356	42,466
Superannuation	3,644	4,034
	<u>42,000</u>	<u>46,500</u>
Lease payments	12,000	17,176
	<u>12,000</u>	<u>17,176</u>

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3 DISCONTINUED OPERATION

During the year ended 30 June 2018, 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 on foreign currency	1,562
Gain on sale of Janita Global Holdings Limited and its associated net assets	13,389,054
Profit before tax from a discontinued operation	13,036,443
Income tax	-
Profit from a discontinued operation	13,036,443
Earnings per share	
From discontinued operations:	
Basic profit per share	0.036
Diluted profit per share	0.036
The net cash flows of the discontinued operation are as follows:	
Operating	(130,430)
Net cash outflow	(130,430)

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

3 DISCONTINUED OPERATION (CONTINUED)

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

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

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

4 INCOME TAX BENEFIT/(EXPENSE)

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

	2018	2017
	\$	\$
Current tax benefit/(expense)	(18,724)	126,156
Deferred tax benefit/(expense) arising from the movement in temporary differences	18,724	(126,156)
	<u>-</u>	<u>-</u>

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

	2018	2017
	\$	\$
Prima facie tax benefit on loss from continuing operations before income tax at 27.5% (2017: 27.5%)	(60,911)	(63,269)
- Non deductible expenses/non assessable income	-	3,035
- Current year losses not recognised as a deferred tax asset	60,911	60,234
	<u>-</u>	<u>-</u>
- Income tax benefit/(expense)	<u><u>-</u></u>	<u><u>-</u></u>

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

5 DEFERRED TAX ASSETS AND LIABILITIES

	ASSETS		LIABILITIES		TOTAL	
	2018 \$	2017 \$	2018 \$	2017 \$	2018 \$	2017 \$
Prepayments	-	-	(2,133)	(159)	(1,974)	(159)
Provisions and accruals	36,109	15,412	-	-	20,697	(125,997)
Carried forward losses	2,771,044	3,080,004	-	-	(308,960)	(76,666)
Deferred tax assets not recognised	(2,805,020)	(3,095,257)	-	-	290,237	202,822
Total	2,133	159	(2,133)	(159)	-	-

Estimated unused tax losses at 30 June 2018 of \$10,076,525 (2017: \$11,200,018) have not been recognised as a deferred tax asset as the future recovery of these losses is subject to the entities satisfying requirements imposed by the relevant regulatory authorities in the respective jurisdictions in which the Group operates. The benefits of deferred tax assets not brought to account will only be brought to account if:

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

6 CASH AND CASH EQUIVALENTS

	2018 \$	2017 \$
Cash at bank	181,941	124,881
	<u>181,941</u>	<u>124,881</u>

7 TRADE AND OTHER RECEIVABLES

	2018 \$	2017 \$
CURRENT		
GST receivable	1,957	24,899
	<u>1,957</u>	<u>24,899</u>

Terms and conditions of the above financial assets

- Due to the short term nature of these receivables, their carrying value approximates their fair value;
- The maximum exposure to credit risk is the carrying value of receivables. Collateral is not held as security;

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

8 OTHER ASSETS

	2018	2017
	\$	\$
CURRENT		
Prepayment ASX listing fee*	5,000	-
Other prepayments	2,755	579
	<u>7,755</u>	<u>579</u>

*to be offset against initial listing fee, under listing rule Guidance Note 15A

9 TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
CURRENT		
Trade payables	11,546	1,717
Other payables	133,172	80,432
	<u>144,718</u>	<u>82,149</u>

Terms and conditions of the above financial liabilities:

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

10 BORROWINGS (INTEREST BEARING)

	2018	2017
	\$	\$
CURRENT		
Convertible loan	185,231	-
	<u>185,231</u>	<u>-</u>

Terms and conditions of the above financial liabilities:

- The convertible loan is a related party unsecured loan facility. Subject to shareholder approval, Hawkley may elect to convert the initial drawdown amount of A\$200,000, received on 28 June 2018, into fully paid ordinary shares in Hawkley at a conversion price of 0.2 cents per share (subject to adjustment in the event of a reorganisation of capital). Two further drawdowns of \$50,000 each are available if required. The loan incurs interest of 3%, payable at settlement of the loan. Additional drawdowns and interest are to be repaid in cash at settlement. The loan is to be converted and/or repaid on or before 31 December 2018. Further, the Company considers that the convertible note is a compound instrument and in this regard a portion of the convertible note was recognised in equity (refer note 12).

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

10 BORROWINGS (INTEREST BEARING) (CONTINUED)

The fair value of the convertible loan is determined as \$185,231 (2017: nil) at the reporting date using a discounted cash flow methodology over the six months to maturity.

Inputs utilised in assessing the fair value of the convertible note:

	2018	2017
Interest rate	3%	-
Face value	200,000	-
Discount rate	20%	-
Fair value at initial recognition	185,012	-
Equity component	14,988	-
Reconciliation of convertible notes balance	2018	2017
Fair value on initial recognition	185,012	-
Accrued interest	219	-
Closing balance	<u>185,231</u>	<u>-</u>

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - a valuation technique is used using inputs other than quoted prices within level 1 that are observable, either directly (i.e. as prices), or indirectly (i.e. derived from prices);
- Level 3 - a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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11 ISSUED CAPITAL

	2018	2017
	\$	\$
456,239,077 (2017: 456,239,077) Ordinary shares	43,050,015	43,050,015
Share issue costs	(4,075,227)	(4,075,227)
	<u>38,974,788</u>	<u>38,974,788</u>

ORDINARY SHARES

	2018	2017
	NO.	NO.
At the beginning of the reporting period	456,239,077	331,408,627
Register reconciliation adjustment	-	(6)
Shares issued during the year:		
Placement (16 March 2017)	-	49,711,290
Conversion of outstanding Directors' fees * (22 June 2017)	-	75,119,166
At reporting date	<u>456,239,077</u>	<u>456,239,077</u>

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

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

OPTIONS

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

CAPITAL MANAGEMENT

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

11 ISSUED CAPITAL (CONTINUED)

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

12 RESERVES

(A) FOREIGN CURRENCY TRANSLATION RESERVE

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

(B) CONVERTIBLE NOTE EQUITY RESERVE

The equity reserve arose on issue and subsequent buy-back of convertible note issued by Ukraine Gas Investments Limited. It also recognises the equity component of the convertible loan agreement with Emco Capital Pty Ltd.

(C) SHARE BASED PAYMENT RESERVE

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

13 LOSS PER SHARE

	2018	2017
	\$	\$
Earnings used to calculate basic loss per share:		
Continuing operations	(221,494)	(230,069)
Discontinued operations	-	13,036,443
Earnings used in calculation of diluted loss per share:		
Continuing operations	(221,494)	(230,069)
Discontinued operations	-	13,036,443
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS		
	2018	2017
	NO.	NO.
Weighted average number of ordinary shares outstanding during the year - number used in calculating basic and dilutive profit/(loss) per share	456,329,077	343,950,694

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

14 COMMITMENTS

	2018	2017
	\$	\$
Operating lease commitments:		
Payable:		
- no later than 12 months*	1,000	1,000
	<u>1,000</u>	<u>1,000</u>

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

15 FINANCIAL RISK MANAGEMENT

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

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

	NOTE	2018	2017
		\$	\$
Financial Assets			
Cash and cash equivalents	6	181,941	124,881
Trade and other receivables	7	1,957	24,899
Total Financial Assets		<u>183,898</u>	<u>149,780</u>
Financial Liabilities			
Trade and other payables	9	144,718	82,149
Borrowings (interest bearing)	10	185,231	-
Total Financial Liabilities		<u>329,949</u>	<u>82,149</u>

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

FINANCIAL RISK MANAGEMENT POLICIES

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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15 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

SPECIFIC FINANCIAL RISK EXPOSURES AND MANAGEMENT

(A) CREDIT RISK

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

The Group trades only with recognised, creditworthy third parties.

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

(B) LIQUIDITY RISK

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

It is the Group's policy to maintain sufficient funds in cash and cash equivalents to meet the ongoing operational requirements of the business. Furthermore, the Group monitors its ongoing cash requirements and raises equity or debt funding as and when appropriate to meet its requirements. The Group has \$100,000 undrawn under a financing facility with a related party. Trade payables are due within 3 months. The related party loan facility of \$300,000 is due to be settled by 31 December 2018. The initial drawdown amount of \$200,000 may be converted into shares at the Company's election, subject to obtaining shareholder approval. Two further drawdowns of \$50,000 each are available if required and are repayable in cash.

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

As disclosed in Note 1 *Going Concern*, the Group has a net deficiency of assets of \$138,296. This comprises current assets of \$191,653 and current liabilities of \$329,949. Current liabilities includes creditors with an outstanding balance at 30 June 2018 of \$110,306 who have advised the Group that they will not seek repayment of monies owing to them until the Group has the financial capacity to do so, and a related party loan amount of \$200,000 that may be converted into shares at the Company's election, subject to obtaining shareholder approval.

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

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

Financial liability maturity analysis

	WITHIN 1 YEAR		1 TO 5 YEARS		TOTAL CONTRACTUAL CASH FLOW	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment						
Trade and other payables	144,718	82,149	-	-	144,718	82,149
Borrowings (interest bearing)	200,032	-	-	-	200,032	-
Total contractual outflows	344,750	82,149	-	-	344,750	82,149

(C) MARKET RISK

i. Interest rate risk

The Group's cash-flow interest rate risk primarily arises from cash at bank and deposits subject to market bank rates. The Group does not enter into hedges. An increase/(decrease) in interest rates by 1% during the whole of the respective periods would have led to an increase/(decrease) in both equity and losses by \$1,819/(\$1,819) (2017: \$1,249/(\$1,249)). 1% was thought to be appropriate considering that there has been no change in Australian interest rates in the 12 months to 30 June 2018.

ii. Foreign exchange risk

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

15 FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk sensitivity analysis

The following sensitivity analysis is based on foreign currency risk exposures in existence at the reporting date. The 15% sensitivity (2017: 15%) is based on reasonably possible changes, over a financial year, using an observed range of actual historical rates, for the Australian dollar to the US dollar and British pound, for the preceding year.

	2018	2017
	\$	\$
Post tax loss - higher / (lower)		
- FX +15% (2017: +15%)	(45)	(614)
- FX -15% (2017: -15%)	45	614
Equity - higher / (lower)		
- FX +15% (2017: +15%)	-	-
- FX -15% (2017: -15%)	-	-

16 OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE SEGMENTS

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

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

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

17 INTERESTS OF KEY MANAGEMENT PERSONNEL

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2018.

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

	2018	2017
	\$	\$
Short-term employee benefits	110,050	74,119
Post-employment benefits	3,644	4,034
Termination benefits	-	-
Share-based payments	-	10,140
	<u>113,694</u>	<u>88,293</u>

OTHER KEY MANAGEMENT PERSONNEL TRANSACTIONS

From 1 September 2013, the Company began renting an office at normal market prices from an entity associated with GR Featherby (resigned in March 2017). During the year rental payments of \$12,000 (2017: \$17,000) were made to the entity.

On 22 June 2018, the Company entered into an unsecured convertible loan agreement with Emco Capital Pty Ltd ("Emco"), an entity associated with the chairman, Mr. Lloyd. The agreement is to provide additional working capital of up to A\$300,000 to support the Company whilst it pursues a project acquisition, recapitalisation and recompliance with Chapters 1 and 2 of the ASX Listing Rules. Refer to Note 10 for further details.

18 AUDITOR'S REMUNERATION

	2018	2017
	\$	\$
Remuneration of the auditor of the parent entity for:		
- Audit services	29,890	24,926
	<u>29,890</u>	<u>24,926</u>

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

19 CONTROLLED ENTITIES

NAME	COUNTRY OF INCORPORATION	PERCENTAGE OWNED (%)*	
		2018	2017
Parent Entity:			
Hawkey Oil and Gas Limited	Australia		
Subsidiaries of parent entity:			
Ukraine Investments Pty Ltd**	Australia	-	100
Ukraine Gas Investments Pty Ltd**	Australia	-	100

* Percentage of voting power is in proportional to ownership

** Ukraine Investments Pty Ltd and Ukraine Gas Investments Pty Ltd were deregistered voluntarily on 2 April 2018.

20 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2018.

21 RELATED PARTY TRANSACTIONS

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

Transactions with related parties:

From 1 September 2013, the Company began renting an office at normal market prices from an entity associated with GR Featherby (resigned in March 2017). During the year rental payments of \$12,000 (2017: \$17,000) were made to the entity.

During 2018, director's fees of \$12,306 were forgiven (2017: \$81,958).

On 22 June 2018, the Company entered into an unsecured convertible loan agreement with Emco Capital Pty Ltd ("Emco"), an entity associated with the chairman, Mr. Lloyd. Refer to Note 10 for further details.

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

21 RELATED PARTY TRANSACTIONS (CONTINUED)

(A) RELATED PARTY BALANCES

	2018	2017
	\$	\$
CURRENT		
- Trade and other payables:		
Amount payable to related entities	185,231	-
Amount payable to related individuals	110,306	38,612
Total	<u>295,537</u>	<u>38,612</u>

22 CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

	2018	2017
	\$	\$
Net profit/(loss) for the period	(221,494)	12,806,374
Non-cash flows in profit		
Share based payments	-	10,140
Foreign exchange (gains)/losses	(32)	(5,953)
Foreign exchange differences transferred to profit and loss on disposal of foreign operations	-	(12,068,988)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	22,942	(24,175)
Decrease in prepayments	(7,176)	3,314
Increase/(decrease) in trade payables and accruals	62,788	(1,036,793)
Increase/(decrease) in provisions	-	(181,847)
	<u>(142,972)</u>	<u>(497,928)</u>

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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23 SHARE-BASED PAYMENTS

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

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

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

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

	NUMBER	WEIGHTED AVERAGE EXERCISED PRICE
Options outstanding as at 30 June 2016	11,000,000	\$0.10
Grant of options	25,355,645	\$0.005
Options outstanding as at 30 June 2017	36,355,645	\$0.034
Options outstanding as at 30 June 2018	36,355,645	\$0.034

The weighted average remaining contractual life of options outstanding at year end was 1.18 years.

At 30 June 2018 there are 11,000,000 outstanding options exercisable at 10 cents and 25,355,645 outstanding options exercisable at 0.5 cents.

24 EVENTS AFTER THE END OF THE REPORTING PERIOD

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

HAWKLEY OIL AND GAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25 PARENT ENTITY

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

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

	2018	2017
	\$	\$
Statement of Financial Position		
Assets		
Current assets	191,653	150,359
Total Assets	<u>191,653</u>	<u>150,359</u>
Liabilities		
Current liabilities	329,949	349,115
Total Liabilities	<u>329,949</u>	<u>349,115</u>
Equity		
Issued capital *	60,993,430	60,993,430
Accumulated losses	(66,121,617)	(66,167,089)
Reserves	4,989,891	4,974,903
Total (Shareholder's Deficit)/Equity	<u>(138,296)</u>	<u>(198,756)</u>
Statement of Comprehensive Income		
Profit/(Loss) for the year	45,472	(319,274)
Total comprehensive income	<u>45,472</u>	<u>(319,274)</u>

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

CONTINGENT LIABILITIES

The parent entity did not have any contingent liabilities as at 30 June 2018 or 30 June 2017.

26 COMPANY DETAILS

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

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

Hawkley Oil and Gas Limited

Directors' Declaration

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) subject to the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

On behalf of the Board



Mr. David Lloyd
Director
29 August 2018

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Hawkley Oil and Gas Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Material uncertainty related to going concern

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

Key audit matters

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

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

Convertible loan agreement

Why significant	How our audit addressed the key audit matter
<p>The Group has entered into a significant loan agreement which is a compound financial instrument as it contains a conversion right.</p> <p>The accounting treatment for a compound financial instrument is complex and requires the exercise of judgement in identifying the separate debt and equity components of the financial instrument and determining the fair value of the debt component.</p> <p>Due to the complexity of the accounting treatment, and the related estimation uncertainty, this was considered a key audit matter.</p> <p>The details of the loan agreement, including the valuation of the debt and equity components, is disclosed in Note 10.</p>	<p>We evaluated the Group's accounting treatment for the loan agreement as a compound financial instrument. Our audit procedures included the following:</p> <ul style="list-style-type: none"> ▶ We inspected the loan agreements and obtained an understanding of the relevant terms and conditions; ▶ We considered the completeness of the Group's identification of the debt and equity components of the compound financial instrument, including the conversion right; ▶ We assessed the methodology, inputs and assumptions used by the Group in determining the fair value of the debt component of the compound financial instrument. In doing so we involved our own valuation specialists; ▶ We recalculated the amount attributable the equity component of the compound financial instrument, as the difference between the face value of the loan less the fair value attributed to debt component on initial recognition; and ▶ We considered the adequacy of the Group's disclosures about the valuation basis and inputs used in the fair value measurement of debt and equity components.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report that is to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

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

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

Report on the audit of the Remuneration Report

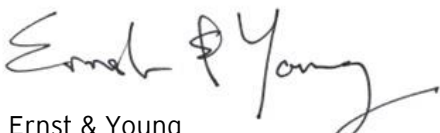
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Hawklely Oil and Gas Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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



Ernst & Young



Darryn Hall
Partner
Perth
29 August 2018