

HAWKLEY OIL AND GAS LIMITED

Corporate Governance Statement

FOR THE YEAR ENDED 30 JUNE 2015

Board Composition

The skills, experience and expertise relevant to the position of each director, and board committee member, who is in office at the date of the annual report and their term of office, are detailed in the Director's report.

The independent directors of the Company during the year were Mr Bill Foster, Lord Risby (resigned 14 October 2014), Mr Graham Lyon (resigned 14 October 2014) and Mr Anthony Reilly (appointed 14 October 2014).

When determining the independent status of a Director, the Board used the Guidelines detailed in the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations".

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations.

Recommendation	Hawklely Oil and Gas Limited Current Practice
1.1 A listed entity should disclose: <ul style="list-style-type: none"> a) the respective roles and responsibilities of its board and management; and b) those matters expressly reserved to the board and those delegated to management.. 	Compliant. The functions reserved for the Board and delegated to senior executives have been established. The Board Charter is available at www.hawklelyoilandgas.com in the Corporate Governance policy.
1.2 A listed entity should: <ul style="list-style-type: none"> a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director. 	Compliant. The Board will ensure that prior to appointing a director or recommending a new candidate for election as a director that appropriate checks are undertaken as to the person's character, experience, education, criminal record and bankruptcy history. Shareholders will be provided with all relevant information in the Board's possession, relevant to a decision on whether or not to elect or re-elect a Director.
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment	Compliant. The Company has a written agreement with each Director setting out the terms of their appointment.
1.4 The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Compliant. The Company Secretary is accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.
1.5 A listed entity should: <ul style="list-style-type: none"> (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and 	Not compliant. While embracing the concept of diversity, the Board is of the view that at this time, it is inappropriate to establish measurable diversity objectives or targets and to link diversity objectives to the Key Performance Indicators for the directors and senior executives. The Diversity Policy is available at www.hawklelyoilandgas.com on the Corporate

<p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board in accordance with the entity's diversity policy and its progress towards achieving them, and the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes).</p>	<p>Governance page. Currently there are no women in senior executive positions or on the Board. The proportion of women employees in the organisation as a whole stands at 43% as at the date of this report.</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Compliant</p> <p>The Board Performance Evaluation Practices are available at www.hawkleyoilandgas.com in the Corporate Governance policy.</p> <p>During the year the composition of the Board changed significantly. No formal appraisal of the Board, its committees and individual directors was undertaken.</p>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>Compliant</p> <p>The Performance Evaluation Practices for senior executives is available at www.hawkleyoilandgas.com in the Corporate Governance policy.</p> <p>During the year the composition of management changed significantly. No formal appraisal of management was undertaken.</p>
<p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which has at least three members, a majority of whom are independent directors; be chaired by an independent director, and disclose the charter of the committee; the members of the committee; and as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Compliant.</p> <p>Not applicable.</p> <p>The Company considers that due to the size of the company the function of this committee is best undertaken by the full board. The Board reviews its composition annually, along with succession planning, in the context of changes in the development of the Company and the appropriate skill set to discharge its duties and responsibilities efficiently and effectively.</p>
<p>2.2 A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership</p>	<p>Not Compliant. The Board is in the process of preparing a skills matrix for consideration in conjunction with its next review process.</p>

<p>2.3 A listed entity should disclose:</p> <ul style="list-style-type: none"> (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 (independence guidelines) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director 	<p>Compliant.</p> <p>The relevant disclosures recommended at 2.3 are made both in the Directors' Report in the Annual Report and in the Corporate Governance Statement</p>
<p>2.4 A majority of the board of a listed entity should be independent directors</p>	<p>Compliant. The Board currently comprises 3 directors, 2 of which are considered independent.</p>
<p>2.5 The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>Not Compliant. Following the resignation of the Chief Executive Officer on 14 October 2014, the roles of chair and Chief Executive Officer are both exercised by Mr Glenn Featherby. The Board is satisfied that this is an appropriate interim measure given the reduced scale of operations following the halt in production in December 2014 and whilst new opportunities are sought for the Company.</p>
<p>2.6 A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>Not Compliant.</p> <p>The Company does not have a formal induction program, however new directors are provided with considerable information relevant to their roles and responsibilities.</p>
<p>3.1 A listed entity should:</p> <ul style="list-style-type: none"> (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it. 	<p>Compliant.</p> <p>The Code of Conduct is available at www.hawkleyoilandgas.com in the Corporate Governance policy.</p>
<p>4.1 The board of a listed entity should:</p> <ul style="list-style-type: none"> (a) have an audit committee which: <ul style="list-style-type: none"> (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, <p>and disclose:</p> <ul style="list-style-type: none"> (1) the charter of the committee; (2) the relevant qualifications and experience of the members of the committee; and (3) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or 	<p>Not Compliant. Due to the size of the Board, the audit committee only comprises 2 Directors, both of whom are considered independent.</p> <p>Compliant</p> <p>The Audit Committee Charter is available at www.hawkleyoilandgas.com in the Corporate Governance policy.</p> <p>The Board considers that the members of the Audit Committee have the appropriate skills and experience to discharge its responsibilities properly. Relevant disclosures are included in the Directors' Report in the Annual Report.</p>

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner..	Not applicable
4.2 The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Compliant. Before approving the full year and half-year financial statements the Board receives a declaration from the Executive Chairman and the Chief Financial Officer that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.
4.3 A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Compliant.
5.1 A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	Compliant. Continuous Disclosure policy is available at www.hawkleyoilandgas.com in the Corporate Governance policy.
6.1 A listed entity should provide information about itself and its governance to investors via its website.	Compliant. Shareholders communication strategy is available at www.hawkleyoilandgas.com in the Corporate Governance policy.
6.2 A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors	Compliant. In addition to attending general meetings, electronic communication with the Company by investors is encouraged via email to information@hawkleyoilandgas.com .
6.3 A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Compliant. Shareholder Communication policy including encouraging attendance at shareholder meetings is available at www.hawkleyoilandgas.com in the Corporate Governance policy
6.4 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Compliant. The Company encourages the use of electronic means of communications with itself and with its share registry. Refer to the Company's website www.hawkleyoilandgas.com .
7.1 The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a	Compliant. Not applicable.

<p>majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>The Company considers that due to the size of the company the function of this committee is best undertaken by the full board. The Company has established policies for the oversight and management of material business risks.</p> <p>Risk management policy is available at www.hawkleyoilandgas.com in the Corporate Governance policy.</p>
<p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>Compliant.</p> <p>Management consists of the chief executive officer, who has designed and implemented a risk management and internal control system to manage material business risks. Management have reported to the Board that those risks are being managed effectively.</p>
<p>7.3 A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>Compliant.</p> <p>The Company does not have an internal audit function.</p> <p>The Board through the Audit Committee overseas risk management and reviews the risk strategy as part of the audit process. The Company has a sound system of internal controls appropriate for an organisation of its size.</p>
<p>7.4 A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>Compliant.</p> <p>The board has received the reports and assurances in 7.2 and 7.3. The policies are available on the company's website.</p>
<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p>	<p>Not Compliant. Due to the size of the Board, the remuneration committee only comprises 2 Directors, both of whom are considered independent.</p> <p>Compliant</p> <p>The Remuneration Committee Charter is available at www.hawkleyoilandgas.com in the Corporate Governance policy.</p>

	(4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or	Relevant disclosures are included in the Directors' Report in the Annual Report.
	(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.	Not applicable.
8.2	A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Compliant. The Company separately discloses its policies and practices on remuneration in the Remuneration section of its Directors' Report in the Annual Report and at www.hawkleyoilandgas.com in the Corporate Governance policy.
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	Compliant. The Company's employee Incentive Options Plan and Performance Rights Plan do not specifically preclude entering into transactions which limit the economic risk of participation. However, the Directors, at their discretion imposed such a restriction. Consequently plan participants may not enter into any transaction designed to remove the 'at risk' aspect of an instrument before it vests. This restriction is disclosed in the Remuneration Report section of the Directors' Report in the Annual Report.

Further information about the Company's corporate governance practices is set out on the Company's website at www.hawkleyoilandgas.com.