

Hawkley Oil and Gas Limited

Interim Financial Report

A.B.N. 68 115 712 162

For the Half-Year Ended 31 December 2020

Hawkley Oil and Gas Limited

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For the Half-Year Ended 31 December 2020

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Directors' Report

31 December 2020

Your directors submit their report, together with the interim financial statements of Hawkley Oil and Gas Limited (the Company) for the half year ended 31 December 2020.

Directors

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

Names	Position
Mr. Joseph Naemi	Non-Executive Chairman – appointed 16 August 2021
Mr. Cosimo Damiano	Executive Director – appointed 1 July 2021
Mr. Murray Wylie	Non-Executive Director
Mr. Thomas Fontaine	Managing Director – resigned 19 August 2021
Mr. Kane Marshall	Non-Executive Director – resigned 20 July 2021

Company Secretary

Mr. Murray Wylie

Principal activities

The principal activities of the Company during the year consisted of seeking to restructure the Company's debt and acquire a suitable oil and gas project to support recapitalisation of the Company and the resumption of trading of its securities on the ASX.

Operating results

The loss of the Company for the half year ended 31 December 2020 amounted to \$731,099 (31 December 2019: \$186,817).

Review of operations

The Company's securities were suspended from trading on the ASX on 11 May 2017 following completion of the sale of its Ukraine Oil & Gas assets. Changes to the ASX Listing Rules announced 15 April 2019 meant that Hawkley would be subject to automatic removal from the Official List on 3 February 2020 if the Company had not completed an acquisition transaction, recapitalisation and obtained all necessary approvals to resume trading of its securities by that time.

On 24 October 2019 Hawkley announced that it had entered into a sale and purchase agreement to acquire an approximately 33% working interest in an operating oil and gas project located in Burke County, North Dakota, comprising 10 wells, 6,600 gross acres and 29 identified horizontal drilling locations. Shareholder approval for the proposed acquisition and recapitalisation was obtained on 6 April 2020. Due to its pending removal from the ASX Official List, the Company proceeded with the issue of a prospectus seeking to raise between \$5,000,000 and \$7,000,000 for the proposed acquisition and to enable re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Global commodity markets were experiencing abnormally large volatility around that time as a result of the impact on oil demand from the COVID-19 (coronavirus) outbreak and a rapid escalation in oil production by Saudi Arabia and Russia. Whilst the ASX provided a final extension until 6 July 2020 for Hawkley to complete its re-compliance, a major group of proposed investors withdrew their support for the raising due to the macro-economic uncertainty with regards to prices and demand for oil and gas. In light of this and the difficult market conditions, the Company withdrew its prospectus on 4 June 2020 and allowed the sale and purchase agreement to lapse. The Company was formally removed from the ASX Official List on 9 June 2020.

Following its removal from the ASX on 9 June 2020, the Company has been in discussions with several parties to restructure its debt and explore opportunities to recapitalise the Company and seek a new listing on the ASX.

On 22 July 2020, the Company reached agreement to terminate its advisory services agreements with CPS Capital Pty Ltd ("CPS"), International Island Group Pty Ltd ("IIG") and Woodchester Capital Pty Ltd ("Woodchester"). In accordance with the settlement agreements, the Company allotted 12,000,000 fully paid ordinary shares to IIG and 7,000,000 fully paid ordinary shares and 3,500,000 options to Woodchester. The options have an exercise price of 5 cents per share on or before 30 June 2023.

Directors' Report

31 December 2020

EVENTS SUBSEQUENT TO BALANCE DATE

On 12 April 2021, the Company entered into settlement agreements with former directors Edmund Babington and Bill Foster to convert their outstanding directors' fees of \$160,127 at 3 cents per share into 5,337,423 fully paid ordinary shares in the Company.

On 30 June 2021, the Company entered into a settlement agreement with Emco Capital Pty Ltd ("Emco") in relation to the outstanding unsecured loan of \$200,000. Under the terms of the settlement, Emco agreed to accept \$100,000 cash payment now and \$100,000 cash payment at the earlier of 5 business days after shares in Hawley are admitted to trading on the ASX or 31 December 2021. Emco also agreed to forego its entitlement to receive interest payments under the loan. The initial payment of \$100,000 was paid to Emco on 30 June 2021.

During 2021, Mr. Cosimo Damiano of Melbourne has been assisting the Company with its efforts to identify and complete a suitable transaction to enable the Company to recapitalise and seek admission to the ASX. On 1 July 2021 he joined the Board as an executive director. Mr. Damiano's experience involves the strategic analysis and merger and acquisition of oil and gas companies for global investment banks and energy commodity trading companies in a principal investment role. He has extensive experience in oil and gas investments throughout North and South America. More recently Mr. Damiano was the Managing Director of Xstate Resources Limited, an ASX listed junior oil and gas company with operations onshore northern California.

In May 2021, the Company began raising additional funds via convertible notes to finance the first loan settlement payment of \$100,000 to Emco and to provide working capital to pursue a new acquisition and IPO listing on ASX. The Company is looking to raise between \$500,000 and \$750,000 through the convertible notes and has received \$200,000 so far. The convertible notes will earn interest of 10% per annum. Subject to obtaining any necessary approvals, conversion into shares is mandatory at the earlier of 5 business days after the Company receives conditional approval from ASX for its securities to be admitted to quotation or 30 June 2022. The conversion price will be 25% of the issue price of shares issued by the Company pursuant to its capital raising conducted in relation to a listing transaction. If ASX listing does not occur before the 30 June 2022, the conversion price will be \$0.01 per share, subject to adjustment for any share reconstruction.

On 7 July 2021, Hawley received notification that ASIC had approved the retirement of Ernst & Young as auditor of the Company and the appointment of RSM Australia Partners as the new Company auditor. The change in auditor was sought by the Company and Ernst & Young as both parties considered that the additional rigour and expense of having audits performed by a top tier audit firm was no longer justified or in the best interests of shareholders, following the removal of the Company from the ASX Official List.

Mr. Kane Marshall resigned from his position as a non-executive director on 20 July 2021 after serving the Company in that capacity for around 18 months. Mr. Tom Fontaine also resigned from the Company on 19 August 2021 after serving more than two years as Managing Director during what was a difficult period for the Company.

On 27 July 2021 the Company announced that it has entered into a Binding Letter of Intent ("LOI") to amalgamate with a Canadian oil and gas company with existing production and an independently certified reserve report (the "Merger"). The Merger will provide Hawley with existing reserves (2P +12.5 MMBOE), existing production (+2900 BOEPD), access to high quality facilities and undeveloped land position, with likely significant production increases and yet to be developed resources at a low entry cost. The Merger is subject to certain conditions that include, but are not limited to, Hawley seeking ASX relisting, management and board changes and Hawley undertaking a capital raising.

Mr. Joseph Naemi joined the Board on 16 August 2021 as an independent non-executive chairman. Mr. Naemi has thirty years of international experience across the entire hydrocarbons value chain as a founder or co-founder of a series of oil and gas exploration and production ("E&P") companies, with a proven track record of monetising E&P assets. He has worked in a wide range of jurisdictions including The Americas, North Africa, Middle East, Central Asia, and South East Asia. He has previously served on the board of publicly listed oil & gas and mining companies in Australia, Canada, and Mongolia.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.


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

Directors' Report
31 December 2020

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the half year ended 31 December 2020 has been received and can be found on page 4 of the financial report.

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


Director:
Mr. Cosimo Damiano

Dated 30 August 2021

Hawkley Oil and Gas Limited

Directors' Declaration

The directors of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting; and
 - (b) give a true and fair view of the Company 's financial position as at 31 December 2020 and of its performance for the half-year ended on that date.
2. Subject to the matters outlined in Note 1, in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Director:

Mr. Cosimo Damiano

Dated 30 August 2021

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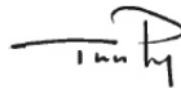
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Hawkley Oil and Gas Limited for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2021

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Hawkley Oil and Gas Limited

Statement of Comprehensive Income For the Half Year Ended 31 December 2020

		31 December 2020 \$	31 December 2019 \$
Other income	4	47,002	10,797
Administrative expenses	4	(774,915)	(178,516)
Interest expense		(3,025)	(19,107)
(Loss)/gain on foreign currency		(161)	9
Loss before income tax		(731,099)	(186,817)
Income tax expense		-	-
Loss after tax for the half year		(731,099)	(186,817)
Total comprehensive loss for the half year		(731,099)	(186,817)
Loss per share			
Basic loss per share	7	(0.009)	(0.004)
Diluted loss per share	7	(0.009)	(0.004)

The accompanying notes form part of these financial statements.

Hawkley Oil and Gas Limited

Statement of Financial Position

As at 31 December 2020

	31 December 2020	30 June 2020
Note	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	25,345	15,943
Trade and other receivables	2,984	68,528
TOTAL CURRENT ASSETS	<u>28,329</u>	<u>84,471</u>
TOTAL ASSETS	<u>28,329</u>	<u>84,471</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	518,407	462,675
Financial liabilities	5 215,074	212,049
TOTAL CURRENT LIABILITIES	<u>733,481</u>	<u>674,724</u>
TOTAL LIABILITIES	<u>733,481</u>	<u>674,724</u>
NET LIABILITIES	<u>(705,152)</u>	<u>(590,253)</u>
EQUITY		
Issued capital	6 39,919,788	39,349,788
Reserves	4,120,562	4,074,362
Accumulated losses	<u>(44,745,502)</u>	<u>(44,014,403)</u>
TOTAL SHAREHOLDERS' DEFICIT	<u>(705,152)</u>	<u>(590,253)</u>

The accompanying notes form part of these financial statements.

Hawkley Oil and Gas Limited

Statement of Changes in Equity
For the Half-Year Ended 31 December 2020

31 December 2019

	Ordinary Shares \$	Accumulated losses \$	Convertible Note Equity Reserve \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2019	39,349,788	(43,413,580)	(656,612)	4,730,974	(364,430)
Loss for the period	-	(186,817)	-	-	(186,817)
Total other comprehensive income	-	(186,817)	-	-	(186,817)
Balance at 31 December 2019	39,349,788	(43,600,397)	(656,612)	4,730,974	(551,247)

31 December 2020

	Ordinary Shares \$	Accumulated losses \$	Convertible Note Equity Reserve \$	Share Based Payment Reserve \$	Total \$
Balance at 1 July 2020	39,349,788	(44,014,403)	(656,612)	4,730,974	(590,253)
Loss for the period	-	(731,099)	-	-	(731,099)
Total other comprehensive income	-	(731,099)	-	-	(731,099)
Shares issued	570,000	-	-	-	570,000
Equity based payment	-	-	-	46,200	46,200
Balance at 31 December 2020	39,919,788	(44,745,502)	(656,612)	4,777,174	(705,152)

The accompanying notes form part of these financial statements.

Hawkley Oil and Gas Limited

Statement of Cash Flows

For the Half-Year Ended 31 December 2020

	31 December 2020	31 December 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Payments to suppliers and employees	(37,445)	(72,351)
Interest received	2	7
Sundry income	47,000	-
Net cash provided by/(used in) operating activities	<u>9,557</u>	<u>(72,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	-	95,000
Net cash provided by financing activities	<u>-</u>	<u>95,000</u>
Net increase in cash and cash equivalents held	9,557	22,656
Cash and cash equivalents at beginning of year	15,943	12,947
Effects of exchange rate changes on cash and cash equivalents	(155)	4
Cash and cash equivalents at end of the half year	<u>25,345</u>	<u>35,607</u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Half-Year Ended 31 December 2020

1 Basis of preparation

This interim financial report for the half year ended 31 December 2020 is a general purpose condensed financial report prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 'Interim Financial Reporting'.

The interim financial report is intended to provide users with an update on the latest annual financial statements of Hawkley Oil and Gas Limited. As such it does not contain information that represents relatively insignificant changes occurring during the half year for the Company. This interim financial report does not include all the notes normally included in an annual financial report. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended 30 June 2020, together with any public announcements made during the half year.

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

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

All other new standards and interpretations effective from 1 July 2020 were adopted with the main impact being disclosure changes as disclosed in Note 2.

Going concern

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

For the half year ended 31 December 2020, the Company generated a loss of \$731,099, including share-based payments of \$616,200. As at 31 December 2020, the Company has cash and cash equivalents of \$25,345 and net liabilities of \$705,152. Current liabilities of \$733,481 at 31 December 2020, includes \$346,348 in outstanding fees owed to current and former directors and \$215,074 for a loan from Emco Capital (Emco), an entity associated with a former director.

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) In April 2021 the former directors agreed to convert the monies owed to them, totaling \$160,123, into fully paid ordinary shares in the Company.
- ii) In June 2021 the noteholder of the \$200,000 unsecured loan agreed to accept repayment of the \$200,000 loan principal and waive the accumulated interest, with repayment to be in 2 tranches of \$100,000 each. The first payment of \$100,000 was made on 30 June 2021 and the final payment of \$100,000 is to be made the earlier of 5 business days after the Company's shares commence trading on the ASX or 31 December 2021.
- iii) Post 31 December 2020, the Company has so far received \$200,000 under its plans to raise a minimum of \$500,000 before costs via convertible note agreements. The funds are to be used for the first payment of \$100,000 for the settlement of the related party loan (paid on 30 June 2021), completion of any outstanding audited or reviewed financial statements of the Company and towards costs associated with preparation of a prospectus for a capital raising for a new ASX Listing Transaction.
- iv) On 27 July 2021 the Company announced that it had entered into a Binding Letter of Intent ("LOI") to amalgamate with a Canadian oil and gas company with existing production and an independently certified reserve report, to form the basis of an IPO for a substantial capital raising and to seek listing of the Company's securities on the ASX.

Should the directors not be able to achieve the matters set out above, there is significant uncertainty as to whether the Company will be able to continue as a going concern 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 or classification of recorded asset amounts or to the amounts or classification of liabilities that might be necessary should the Company not be able to continue

Notes to the Financial Statements

For the Half-Year Ended 31 December 2020

as a going concern.

2 New and amended accounting standards and interpretations

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Company:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Company has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Company may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Company's financial statements.

Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

3 Operating segments

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

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

4 Loss for the Half-Year

(a) Other income

	31 December 2020	31 December 2019
	\$	\$
Interest income	2	7
Sundry income – government assistance received	47,000	-
Gain on modification of financial liability	-	10,790
	47,002	10,797

(b) Administrative Expenses

	2020	2019
	\$	\$
Corporate and administrative expenses	20,554	130,516
Equity based payments to corporate advisors	616,200	-
Director and employee benefits expense	132,161	42,000
Lease payments	6,000	6,000
	774,915	178,516

Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

5 Financial liabilities

	31 December 2020 \$	30 June 2020 \$
CURRENT		
Unsecured loan	215,074	212,049
	<u>215,074</u>	<u>212,049</u>

Terms and conditions of the above financial liabilities:

- The financial liabilities relate to an unsecured loan of \$200,000 provided on 28 June 2018 via a convertible note from an entity associated with a related party at that time.
- The terms of the loan were amended on 28 June 2019 with a replacement loan agreement to extend the term of the loan until 31 December 2019 and to make conversion of the loan at the election of the related party.
- The loan was further amended on 12 March 2020 to remove the conversion rights and extend the loan term until 30 June 2020.
- The lender is no longer considered to be a related party.
- The loan incurs interest of 3% to be repaid in cash at settlement.

On 30 June 2021, the Company entered into a settlement agreement providing for the loan to be settled by two payments of \$100,000 each, with the accrued interest to be waived. The first payment was made on 30 June 2021 and the final payment is to be paid at the earlier of 5 days after the Company's shares are admitted to trading on the ASX or 31 December 2021.

6 Issued capital

	31 December 2020 \$	30 June 2020 \$
83,374,230 (30 June 2020: 64,374,230) –Ordinary shares	43,995,015	43,425,015
Share issue costs	(4,075,227)	(4,075,227)
Total	<u>39,919,788</u>	<u>39,349,788</u>

Ordinary Shares

	31 December 2020 No.	30 June 2020 No.
At the beginning of the reporting period	64,374,230	456,239,077
Reduction due to share consolidation on 1 for 10 basis	-	(410,614,847)
Shares issued on conversion of loan notes	-	18,750,000
Shares issued for equity based payments	19,000,000	-
At reporting date	<u>83,374,230</u>	<u>64,374,230</u>

Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

7 Loss per share

	31 December 2020	31 December 2019
	\$	\$
Earnings used to calculate basic loss per share	(731,099)	(186,817)
Earnings used in calculation of diluted loss per share	(731,099)	(186,817)

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

	31 December 2020	31 December 2019
	No.	No.
Weighted average number of ordinary shares outstanding during the year - number used in calculating basic and dilutive profit/(loss) per share ⁽ⁱ⁾	81,102,491	45,624,230

- (i) Due to the share consolidation that occurred on 14 April 2020, the loss per share is calculated based on the equivalent number of shares on a post consolidation basis. The share consolidation was 1 new share for every 10 existing shares held.

8 Contingencies

The Company did not have any contingencies at 31 December 2020 (30 June 2020: nil).

9 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:

During the half-year ended 31 December 2020, director's fees of \$132,161 (31 December 2019: \$42,000) were incurred.

(a) Related party balances

	31 December 2020	30 June 2020
	\$	\$
CURRENT		
- Trade and other payables:		
Amount payable to related individuals	184,250	88,789
Total	184,250	88,789

Notes to the Financial Statements

For the Half-Year Ended 31 December 2020

10 Equity-based payments

During the half-year ended 31 December 2020, 19,000,000 fully paid ordinary shares were issued at 3 cents per share to corporate advisors as settlement following termination of their engagements (2019: nil).

As part of the settlement the Company also issued 3,500,000 options with an exercise price of 5 cents per share on or before 30 June 2023. Using the Black and Scholes Option valuation methodology, the fair value of the options issued were calculated using the following inputs:

Number of options:	3,500,000	Risk free interest rate:	0.290%
Exercise price:	\$0.005	Underlying security spot price:	\$0.030
Grant date:	22 July 2021	Expected volatility:	100%
Expected exercise date:	30 June 2023	Each option was valued at:	\$0.0132
Total valuation:	\$46,200		

11 Events occurring after the reporting date

On 12 April 2021, the Company entered into settlement agreements with former directors Edmund Babington and Bill Foster to convert their outstanding directors' fees of \$160,127 at 3 cents per share into 5,337,423 fully paid ordinary shares in the Company.

On 30 June 2021, the Company entered into a settlement agreement with Emco Capital Pty Ltd ("Emco") in relation to the outstanding unsecured loan of \$200,000. Under the terms of the settlement, Emco agreed to accept \$100,000 cash payment now and \$100,000 cash payment at the earlier of 5 business days after shares in Hawley are admitted to trading on the ASX or 31 December 2021. Emco also agreed to forego its entitlement to receive interest payments under the loan. The initial payment of \$100,000 was paid to Emco on 30 June 2021.

During 2021, Mr. Cosimo Damiano of Melbourne has been assisting the Company with its efforts to identify and complete a suitable transaction to enable the Company to recapitalise and seek admission to the ASX. On 1 July 2021 he joined the Board as an executive director. Mr. Damiano's experience involves the strategic analysis and merger and acquisition of oil and gas companies for global investment banks and energy commodity trading companies in a principal investment role.

This experience has provided Mr. Damiano with a strong commercial understanding and analytical analysis of financing oil and gas assets across various geographic and fiscal regimes. He has extensive experience in North America, representing the Mercuria Group as a Director of Upstream Investments and represented Mercuria's Board interests in the company's oil and gas investments throughout North and South America. More recently Mr. Damiano was the Managing Director of Xstate Resources Limited, an ASX listed junior oil and gas company with operations onshore northern California.

In May 2021, the Company began raising additional funds via convertible notes to finance the first loan settlement payment of \$100,000 to Emco and to provide working capital to pursue a new acquisition and IPO listing on ASX. The Company is looking to raise between \$500,000 and \$750,000 through the convertible notes and has received \$200,000 so far. The convertible notes will earn interest of 10% per annum. Subject to obtaining any necessary approvals, conversion into shares is mandatory at the earlier of 5 business days after the Company receives conditional approval from ASX for its securities to be admitted to quotation or 30 June 2022. The conversion price will be 25% of the of the issue price of shares issued by the Company pursuant to its capital raising conducted in relation to a listing transaction. If ASX listing does not occur before the 30 June 2022, the conversion price will be \$0.01 per share, subject to adjustment for any share reconstruction.

Notes to the Financial Statements
For the Half-Year Ended 31 December 2020

11 Events occurring after the reporting date (Continued)

On 7 July 2021, Hawkley received notification that ASIC had approved the retirement of Ernst & Young as auditor of the Company and the appointment of RSM Australia Partners as the new Company auditor. The change in auditor was sought by the Company and Ernst & Young as both parties considered that the additional rigour and expense of having audits performed by a top tier audit firm was no longer justified or in the best interests of shareholders, following the removal of the Company from the ASX Official List.

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

12 Fair value measurement

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



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**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
HAWKLEY OIL AND GAS LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Hawkley Oil and Gas Limited (the company) which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Hawkley Oil and Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Hawkley Oil and Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Material Uncertainty Related to Going Concern

We draw attention to Note 1, which indicates that the company incurred a loss of \$731,099 for the half-year ended 31 December 2020. As at that date, the company had net current liabilities and net liabilities of \$705,152. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

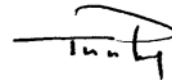
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Hawkley Oil and Gas Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2021