hawkley OIL & GAS

ANNUAL REPORT

2020

www.hawkleyoilandgas.com

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CORPORATE DIRECTORY

DIRECTORS
Mr. Joseph Naemi
Non-Executive Chair

Mr. Cosimo Damiano
Executive Director

Mr. Murray Wylie
Non-Executive Director

COMPANY SECRETARY
Mr. Murray Wylie

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
Suite 106, Ground Floor
101 Moray Street
South Melbourne, VIC 3205

Phone +61 3 8679 2219
Website www.hawkleyoilandgas.com

CORPORATE GOVERNANCE
The Company has adopted the 4th Edition of the ASX Corporate Governance Recommendations. A summary statement which has been approved by the Board together with current policies and charters is available on the Company website at www.hawkleyoilandgas.com.

Hawkley Oil and Gas Limited
ABN 68 115 712 162

OUR VISION
Hawkley's vision is to create a world-class, independent oil and gas company, with a portfolio of quality assets that will maximise shareholder returns.

AUDITORS
RSM Australia Partners
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2 The Esplanade, Perth WA 6000

Phone +61 8 9216 9111
Fax +61 8 9216 9100

SHARE REGISTRY
Automic Group
Level 2
267 St Georges Tce, Perth WA 6000
Phone (within Australia) 1300 288 664
(from overseas) +61 2 9698 5414

BANKERS
National Australia Bank
Level 14, 100 St Georges Terrace
Perth, WA 6000

SOLICITORS
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Perth WA 6000

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EXECUTIVE DIRECTOR'S REPORT

DEAR SHAREHOLDERS

On behalf of the Board of Directors, I hereby present the 2020 Annual Report and Financial Statements for Hawkley Oil & Gas Limited.

OPERATIONS

After completing the sale of its Ukraine gas assets, in November 2016, the Company's shares were suspended from trading on the ASX on 11 May 2017. Since then the Company has been actively pursuing other opportunities in order to acquire a new main undertaking and re-comply with Chapters 1 and 2 of the ASX Listing Rules. An agreement to acquire an operating interest in a producing oil and gas project in North Dakota was announced in October 2019. The proposed acquisition and an associated capital raising were approved by shareholders 6 April 2020. However the dramatic fall in oil prices around that time along with market uncertainty due to the impact of COVID-19, led to the prospectus being withdrawn and the Company being removed from the ASX Official List on 9 June 2020.

Since that time, the Company has negotiated equity settlement of outstanding obligations with former directors and advisors, and restructured its Board and operations in order to pursue other acquisition opportunities. These changes included appointing RSM Australia Partners as the Company auditor, establishing a new head office in Melbourne and the appointments of Mr. Cosimo Damiano as an Executive Director and Mr. Joseph Naemi as an Independent Non-Executive Chair.

Proposed merger with a Canadian oil and gas producer

On 27 July 2021, the Company announced via its website that it had entered into a Binding Letter of Intent ("LOI") to amalgamate with a Canadian oil and gas company with existing production and independently certified oil and gas reserves. Subsequently on 8 September 2021, the Company announced that it had entered into a Plan of Arrangement (the "Merger") with Persist Oil and Gas Inc. ("Persist").

Persist is a privately held company that is headquartered in Calgary, Alberta, Canada. Persist is a conventional oil and gas development and production company, with existing production of 2,900 BOEPD (35:65 oil to gas ratio), certified Total Proven & Probable ("2P") reserves of 13.2 MMBOE, and existing EBITDA of C$11.0 million.

A summary of Persist's certified reserves effective 30 June 2021 are as follows:

Sproule Reserves Report June 30, 2021	Liquids MBBL	Natural Gas BCFG	Total MBOE(1)
Proven Developed Producing	1,998.1	21,344	5,555.4
Total Proven (1P)	3,304.2	26,890	7,785.9
Probable	2,294.2	18,840	5,434.2
Total Proven & Probable (2P)	**5,598.4**	**45,730**	**13,220.1**

(1) Conversion ratio defined as barrel of oil equivalent, using the ratio of 6 mcf of Natural Gas to 1 bbl of Crude Oil

Hawkley and Persist have agreed to merge and relist Hawkley on the Australian Stock Exchange ("ASX") in late 4Q-2021. Under the terms of the Merger, the transaction is valued at C$32.2 million including an anticipated net debt position of approximately C$18.0 million.

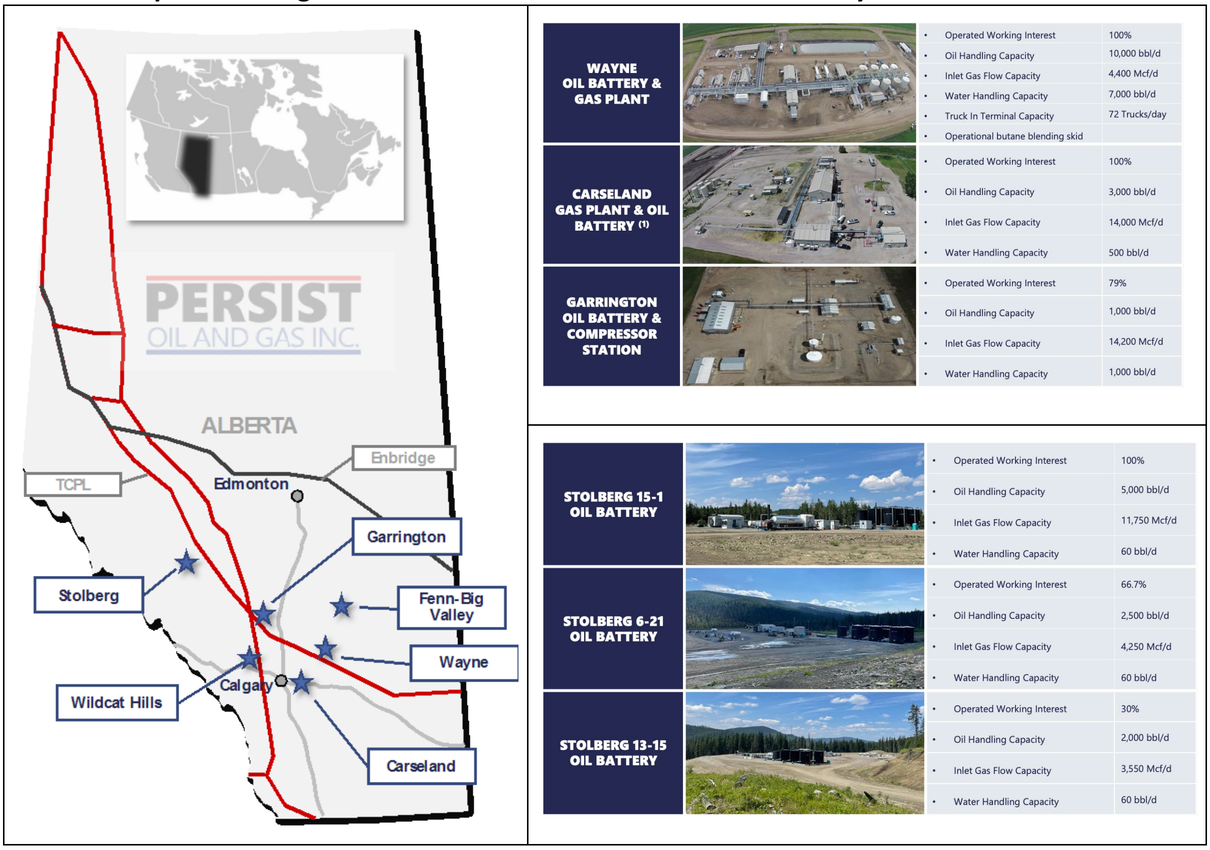
Hawkley will satisfy the equity component of C$14.2 million by issuing ordinary shares of Hawkley upon its re-admission to the ASX, which is anticipated in late 4Q-2021. At completion of the transaction, the shareholders of Persist will hold about 58% of the merged entity, assuming the minimum equity capital of A$8.0 million has been raised.

The Merger is subject to certain conditions that include, but are not limited to, Hawkley seeking Australian Stock Exchange relisting approval, Hawkley share consolidation, Board & Management changes, Persist shareholder approval and Hawkley undertaking and a minimum capital raising of A$8.0 million before costs.

Hawkley plans to undertake an equity capital raising for a minimum of A$8.0 million (maximum A$11.75 million) before costs, through the issue of fully paid ordinary shares pursuant to an IPO prospectus at A$0.20 per share, with further details to be disclosed in the prospectus when published.

Funds raised will be used to finance the development drilling of up to 10 new wells in order to potentially double the merged company's production by the end of 2022; to approximately 5,800 BOEPD.

Location Map of oil and gas fields and infrastructure that are owned by Persist



The Merger with Persist represents a compelling investment opportunity; Persist already has economic low-cost production with numerous low-risk well recompletion and development drilling opportunities, as well as ample infrastructure capacity.

This acquisition provides an excellent platform from which the combined entity can rapidly grow its production and reserves, especially given the improvement in supply & demand dynamics, rising oil and natural gas prices, and the combined entity's enhanced ability to access capital markets as necessary; to accelerate its growth, both organically and through opportunistic acquisitions within the basin of its core operations.

The Hawkley Board considers the proposed transaction to be a transformational event for the Company. The Merger provides shareholders of the combined entity with immediate production and cash flow, low-cost reserves that have been certified by Sproule (one of the most respected global firms in independent reserves reporting), a genuine opportunity for reserves and production growth, and an outstanding profile that should in the ordinary course of business lead to capital appreciation as the merged entity achieves its ambitions.

CORPORATE ACTIVITIES

The Company recorded a net operating loss for 2019-20 of $600,823 and had a net liability position of $590,253 as at 30 June 2020.

Mr. Kane Marshall joined the Board as a non-executive director on 30 January 2020. After obtaining shareholder approval on 6 April 2020, the Company conducted a 1 for 10 share consolidation to satisfy the ASX re-listing price requirement of 3 cents per share. During 2019-20 the Company raised $375,000 of working capital via the issue of convertible notes to fund the ASX recompliance process. These notes were converted into shares and options on 30 June 2020.

OUTLOOK

I would like to extend my thanks to all our shareholders for their patience and support during what has been a difficult period for the Company. We are working closely with our advisors in order to complete the merger with Persist Oil and Gas Inc. and return to trading on the ASX as soon as possible. We look forward to further developing the Canadian projects in the coming year and expand the Company's scope of operations.

Cosimo Damiano
EXECUTIVE DIRECTOR

HAWKLEY OIL AND GAS LIMITED

DIRECTORS' REPORT

30 JUNE 2020

Your directors present their report for the financial year ended 30 June 2020.

DIRECTORS

The names of the directors in office at any time during, or since the end of the 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. Tom Fontaine	Managing Director	Resigned 19 August 2021
Mr. Kane Marshall	Non-Executive Director	Appointed 30 January 2020, resigned 20 July 2021

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 36 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 12 years' experience as a Company Secretary of several ASX and AIM listed companies.

PRINCIPAL ACTIVITIES

The principal activities of the Company during the year consisted of seeking to 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 AND REVIEW OF OPERATIONS FOR THE YEAR

The net loss of the Company for the financial year after providing for income tax amounted to $600,823 (2019: $242,441).

Further discussion on the Company's operations now follows.

UNSUCCESSFUL ACQUISITION AND REMOVAL FROM THE ASX OFFICIAL LIST

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 and 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 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.

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

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.

CORPORATE

Mr. Kane Marshall was appointed as a Non-Executive Director of Hawkley on 30 January 2020. Kane has over 20 years' experience in various roles as a director, geologist, petroleum engineer and company builder. He was the Managing Director of Perth Basin and Cooper Basin operator Key Petroleum Limited (ASX: KEY) and his diverse experience base includes technical and managerial roles with private equity funded oil companies, independents and majors. Mr. Marshall has also worked with Santos as a Consultant Petroleum and Production Engineer with the Roma Implementation Team in Brisbane and as a Reservoir and Petroleum Engineer for both Chevron Australia and Woodside Energy on North-West Shelf projects.

On 6 April 2020, shareholders approved a 1 for 10 consolidation of the Company's existing shares in order to raise the share price for relisting from 0.3 cents to 3 cents per share. During the reporting period the Company raised $375,000 in interim funding via the issue of 375,000 convertible notes to sophisticated investors, in order to finance the re-compliance process. On 30 June 2020, these notes were converted into 18,750,000 fully paid ordinary shares and 9,375,000 unlisted options with an exercise price of 5 cents per share on or before 30 June 2023.

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 re-capitalise the Company and seek a new listing on the ASX.

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 Company has reduced to a net liability position of $590,253 at 30 June 2020 (2019: $364,430). The reduction has resulted from overhead costs incurred whilst unsuccessfully pursuing a transaction to re-capitalise the Company and resume trading on the ASX.

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

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The Company released a prospectus on 6 April 2020 in order to raise funds to acquire an operating interest in an oil and gas project and to undertake re-compliance with Chapters 1 and 2 of the ASX Listing Rules. However due to the impact of COVID19 and the dramatic fall in world oil prices, the prospectus was withdrawn on 4 June 2020. The Company was subsequently removed from the ASX Official List on 9 June 2020. There have been no other significant changes in the Company's state of affairs during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

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.

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 Hawkley 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 has been assisting the Company with its efforts to identify and complete a suitable transaction to enable the Company to re-capitalise 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 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.

OPERATING RESULTS AND REVIEW OF OPERATIONS FOR THE YEAR (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.

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 Hawkley 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, Hawkley seeking ASX relisting, management and board changes and Hawkley 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 financial 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.

FUTURE DEVELOPMENTS

The likely developments in the operations of the Company and the expected results of those operations in future financial years are subject to successfully acquiring a suitable project or corporate transaction to re-capitalise the Company and obtain a new ASX listing.

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS

Mr. Joseph Naemi	Non-Executive Chairman (Appointed 16 August 2021)
Experience	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 successfully completed several E&P mergers and acquisitions, consummated complex trade-sale transactions, negotiated joint ventures, and facilitated equity and debt capital raisings. He is a highly adaptive leader, having 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.
Mr. Cosimo Damiano	Executive Director (Appointed 1 July 2021)
Experience	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. Mr. Damiano has 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 Cosimo was the Managing Director of Xstate Resources Limited, an ASX listed junior oil and gas company with operations onshore northern California.
Mr. Murray Wylie	Non-Executive Director
Experience	Mr. Wylie has more than 36 years' experience in administrative and accounting roles in both the public and private sectors. He has more than 12 years' experience as company secretary for AIM and ASX listed entities, including serving as company secretary of Hawkley since May 2013. He previously served as director of Hawkley from February 2016 until March 2017. Mr. Wylie holds a Bachelor of Commerce degree and is a member of the Governance Institute of Australia.

Mr. Tom Fontaine	Managing Director
	(Resigned 19 August 2021)
Experience	Mr. Fontaine is a professional engineer with over 25 years' experience in starting, running and building resource companies. He is currently a major shareholder and on the board of several early-stage resource companies focused in Australia, Cuba, Africa and North America. He was a founder of Pure Energy and helped build it into a $1 billion company in 4 years.
Mr. Kane Marshall	Non-Executive Director
	(Appointed 30 January 2020, Resigned 20 July 2021)
Experience	Mr. Marshall has over 20 years' experience in various roles as a director, geologist, petroleum engineer and company builder. He was the Managing Director of Perth Basin and Cooper Basin Operator Key Petroleum Limited (ASX: KEY) from 2012 until August 2020 and his diverse experience base includes technical and managerial roles with private equity funded oil companies, independents and majors. Prior to his appointment to Key Petroleum Limited, Mr. Marshall was with Santos as a Consultant Petroleum and Production Engineer with the Roma Implementation Team in Brisbane and as a Reservoir and Petroleum Engineer for both Chevron Australia and Woodside Energy on North-West Shelf projects based in Perth. In earlier times Mr. Marshall was based in London principally working in technical roles on Southern North Sea Gas developments for European utility giant DEA AG and private equity backed Operator Highland Energy Limited.
	Mr. Marshall holds academic qualifications which include a Masters of Petroleum Engineering from Curtin University, Bachelor of Science (Petroleum Geology) from the University of Western Australia and a Bachelor of Commerce (Investment Finance and Corporate Finance) from the University of Western Australia.

During the financial year, 2 meetings of directors (including committees of directors) were held. Board decisions were primarily enacted via circulating resolutions. 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. Tom Fontaine	2	2
Mr. Murray Wylie	2	2
Mr. Kane Marshall	1	1

INDEMNITY AND INSURANCE OF OFFICERS

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

INDEMNITY AND INSURANCE OF AUDITORS

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

OPTIONS/PERFORMANCE RIGHTS

At the date of this report, there are 12,875,000 unissued ordinary shares of Hawkley Oil and Gas Limited under option.

GRANT DATE	DATE OF EXPIRY	EXERCISE PRICE	NUMBER UNDER OPTION
30 June 2020	30 June 2023	$0.005	9,375,000
22 July 2020	30 June 2023	$0.005	3,500,000
			12,875,000

During the year ended 30 June 2020, no ordinary shares of Hawkley Oil and Gas Limited (2019: 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 (2019: nil).

PROCEEDINGS ON BEHALF OF COMPANY

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

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

NON-AUDIT SERVICES

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

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Director: ....

Mr. Cosimo Damiano

Dated 30 August 2021

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Hawkley Oil and Gas Limited for the year ended 30 June 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 audit; and

(ii) Any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2021

HAWKLEY OIL AND GAS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
		$	$
Other income	2(a)	19,820	14,720
Administrative expenses	2(b)	(552,747)	(221,774)
Borrowing costs		(35,000)	-
Interest expense		(28,489)	(35,234)
Loss on extinguishment of financial liability		(4,418)	(158)
Gains on foreign currency		11	5
Loss before tax		(600,823)	(242,441)
Income tax benefit/(expense)	3(a)	-	-
Loss for the year		(600,823)	(242,441)
Other comprehensive income, net of income tax		-	-
Total comprehensive (loss) for the year		(600,823)	(242,441)
Earnings per share:			
Basic loss per share	12	(0.013)	(0.005)
Diluted loss per share	12	(0.013)	(0.005)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

HAWKLEY OIL AND GAS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	NOTE	2020 $	2019 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	15,943	12,947
Trade and other receivables	6	68,528	346
Other assets	7	-	5,386
TOTAL CURRENT ASSETS		84,471	18,679
TOTAL ASSETS		84,471	18,679
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	462,675	193,178
Financial liabilities	9	212,049	189,931
TOTAL CURRENT LIABILITIES		674,724	383,109
TOTAL LIABILITIES		674,724	383,109
NET LIABILITIES		(590,253)	(364,430)
EQUITY			
Issued capital	10	39,349,788	38,974,788
Reserves	11	4,074,362	4,074,362
Accumulated losses		(44,014,403)	(43,413,580)
TOTAL DEFICIENCY IN EQUITY		(590,253)	(364,430)

The above statement of financial position should be read in conjunction with the accompanying notes.

HAWKLEY OIL AND GAS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	ISSUED CAPITAL	ACCUMULATED LOSSES	CONVERTIBLE NOTE EQUITY RESERVE	SHARE BASED PAYMENT RESERVE	TOTAL
	$	$	$	$	$
Balance at 1 July 2018	38,974,788	(43,171,139)	(672,919)	4,730,974	(138,296)
Loss attributable to members of the Company	-	(242,441)	-	-	(242,441)
Total other comprehensive income for the year	-	(242,441)	-	-	(242,441)
Equity component of convertible note	-	-	16,307	-	16,307
Balance at 30 June 2019	38,974,788	(43,413,580)	(656,612)	4,730,974	(364,430)

	ISSUED CAPITAL	ACCUMULATED LOSSES	CONVERTIBLE NOTE EQUITY RESERVE	SHARE BASED PAYMENT RESERVE	TOTAL
	$	$	$	$	$
Balance at 1 July 2019	38,974,788	(43,413,580)	(656,612)	4,730,974	(364,430)
Loss attributable to members of the Company	-	(600,823)	-	-	(600,823)
Total other comprehensive income for the year	-	(600,823)	-	-	(600,823)
Shares issued	375,000	-	-	-	375,000
Balance at 30 June 2020	39,349,788	(44,014,403)	(656,612)	4,730,974	(590,253)

The above statement of changes in equity should be read in conjunction with the accompanying notes.

HAWKLEY OIL AND GAS LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	NOTE	2020 $	2019 $
CASH FROM OPERATING ACTIVITIES:			
Payments to suppliers and employees		(346,038)	(169,343)
Interest received		30	335
Sundry income		9,000	-
Net cash used in operating activities	20	(337,008)	(169,008)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings		375,000	-
Costs of borrowings		(35,000)	-
Net cash from financing activities		340,000	-
Net cash increase (decrease) in cash and cash equivalents		2,992	(169,008)
Foreign exchange differences		4	14
Cash and cash equivalents at beginning of year		12,947	181,941
Cash and cash equivalents at end of financial year	5	15,943	12,947

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

This financial report includes the financial statements and notes of Hawkley Oil and Gas Limited (“Company) during the year ended 30 June 2020.

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.

BASIS OF PREPARATION

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 issued 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.

Historical cost convention

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

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

Going concern

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

For the year ended 30 June 2020, the Company incurred a loss of $600,823. As at 30 June 2020, the Company had cash and cash equivalents of $15,943 and net liabilities of $590,253. Current liabilities of $674,724 at 30 June 2020, includes $237,848 in outstanding fees owed to current and former directors and an unsecured loan of $212,049 from a related party of a former director.

Following completion of the sale of its Ukraine assets in November 2016, and repayment of its external debt, the Company has been looking to pursue Oil and Gas acquisition and development opportunities in more politically stable countries. The Company 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:

1 SIGNIFICANT ACCOUNTING POLICIES

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 30 June 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 and classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Company not be able to continue as a going concern.

REVENUE RECOGNITION

The Company recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

1 SIGNIFICANT ACCOUNTING POLICIES

INCOME TAX

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

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

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

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

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

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

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

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

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

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.

PROVISIONS

Provisions are recognised when the Company 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.

FOREIGN CURRENCY TRANSACTIONS AND BALANCES

The financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

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

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

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

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

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

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

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.

INVESTMENTS AND OTHER FINANCIAL ASSETS

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the Company intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

TRADE AND OTHER PAYABLES

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

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 statement of financial position are shown inclusive of GST.

LEASES LIABILITIES

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

SHARE-BASED PAYMENT TRANSACTIONS

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

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

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

TRADE AND OTHER RECEIVABLES

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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 Company.

KEY JUDGEMENTS – CONVERTIBLE LOAN

On issuance, the Company measures the convertible loan at the fair value of the liability component which is determined by using a market rate for an equivalent non-convertible instrument. The remainder of the proceeds is allocated to the conversion option that is recognised and included in equity. Estimating fair value for convertible loans require determination of the appropriate cost of debt (market interest rate). The assumptions used for estimating fair value for convertible loan transactions are disclosed in Note 9.

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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:

AASB 16 Leases
The Company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. There is no impact of adoption on opening accumulated losses as at 1 July 2019.

NEW STANDARDS ADOPTED AND STANDARDS ISSUED BUT NOT YET EFFECTIVE
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2020. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

Conceptual Framework for Financial Reporting (Conceptual Framework)
The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 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.

2 LOSS FOR THE YEAR

(A) OTHER INCOME

	2020 $	2019 $
Interest income	30	335
Sundry income – government assistance received	9,000	-
Gain on modification of financial liability	10,790	14,385
	19,820	14,720

(B) ADMINISTRATIVE EXPENSES

	2020 $	2019 $
Corporate and administrative expenses	390,858	116,790
Director and employee benefits expense	147,940	92,984
Travel and accommodation expenses	1,949	-
Lease payments	12,000	12,000
	552,747	221,774

3 INCOME TAX BENEFIT/(EXPENSE)

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

	2020	2019
	$	$
Current tax benefit/(expense)	-	-
Deferred tax benefit/(expense) arising from the movement in temporary differences	-	-
	-	-

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

	2020	2019
	$	$
Prima facie tax benefit on loss from continuing operations before income tax at 27.5% (2019: 27.5%)	(165,226)	(66,671)
- Non deductible expenses/non assessable income	21,800	17,483
- Current year losses not recognised as a deferred tax asset	143,426	49,188
- Income tax benefit/(expense)	-	-

4 DEFERRED TAX ASSETS AND LIABILITIES

	ASSETS		LIABILITIES		TOTAL	
	2020 $	2019 $	2020 $	2019 $	2020 $	2019 $
Prepayments	-	-	-	(1,481)	1,481	652
Provisions and accruals	73,261	52,942	-	-	20,319	16,833
Carried forward losses	3,010,507	2,863,670	-	-	146,837	49,188
Deferred tax assets not recognised	(3,083,768)	(2,915,131)	-	-	(168,637)	(66,673)
Total	-	1,481	-	(1,481)	-	-

Estimated unused tax losses at 30 June 2020 of $10,947,299 (2019: $10,413,347), which are available indefinitely for offsetting against future taxable profits, 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 Company 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 Company in realising the benefit.

5 CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank	15,943	12,947
	15,943	12,947

6 TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
CURRENT		
GST receivable	-	346
Staff expense advances	2,617	-
Other receivables	65,911	-
	68,528	346

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;

7 OTHER ASSETS

	2020 $	2019 $
CURRENT		
Prepayment ASX listing fee	-	5,000
Other prepayments	-	386
	-	5,386

8 TRADE AND OTHER PAYABLES

	2020 $	2019 $
CURRENT		
Trade payables	182,880	660
Other payables	279,795	192,518
	462,675	193,178

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.

9 FINANCIAL LIABILITIES

	2020 $	2019 $
CURRENT		
Debt component of convertible notes at amortised costs	-	189,931
Unsecured loan	212,049	-
	212,049	189,931

Terms and conditions of the above financial liabilities:

- The financial liabilities relate to an unsecured loan of $200,000 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.

9 BORROWINGS (INTEREST BEARING) (CONTINUED)

- Initially, the Company considered that the convertible note was a compound instrument and in this regard a portion of the convertible note was recognised in equity (refer Note 11).
- The loan is now recognised as an unsecured loan facility.

The fair value of the debt component of the convertible note on initial recognition 28 June 2019 was determined to be $189,693 using a discounted cash flow methodology over the term of the agreement.

Reconciliation of debt component of convertible notes at amortised cost:

	30 June 2019
Interest rate	3%
Face value	200,000
Discount rate	21.12%
Fair value of whole instrument as at 28 June 2019	206,000
Fair value at initial recognition 28 June 2019	189,693
Equity component	16,307

Reconciliation of convertible notes balance	**30 June 2020**	**30 June 2019**
Opening balance at amortised cost	189,931	185,231
Fair value adjustment upon modification on 5 December 2019/31 October 2018	(10,790)	(14,385)
Fair value adjustment upon extinguishment 12 March 2020/28 June 2019	4,419	158
Accrued interest up until extinguishment on 12 March 2020/28 June 2019	26,681	34,996
Extinguishment on 12 March 2020/28 June 2019	(210,241)	(206,000)
Fair value on initial recognition	-	189,693
Accrued interest	-	238
Closing balance	-	189,931

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 on initial recognition 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.

10 ISSUED CAPITAL

	2020	2019
	$	$
64,374,230 (2019: 456,239,077) Ordinary shares	43,425,015	43,050,015
Share issue costs	(4,075,227)	(4,075,227)
	39,349,788	38,974,788

ORDINARY SHARES

	2020	2019
	NO.	NO.
At the beginning of the reporting period	456,239,077	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	-
At reporting date	64,374,230	456,239,077

* Convertible notes were issued and converted to shares during the year. This amount includes 1,500,000 shares issued to a consultant from conversion of convertible notes issued in lieu of outstanding fees of $30,000.

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 21.

(ii) For information relating to share options issued to key management personnel during the financial year, refer to Note 16.

CAPITAL MANAGEMENT

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

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

11 RESERVES

(A) 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.

(B) SHARE BASED PAYMENT RESERVE

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

12 LOSS PER SHARE

	2020 $	2019 $
Earnings used to calculate basic loss per share	(600,823)	(242,441)
Earnings used in calculation of diluted loss per share	(600,823)	(242,441)

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

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

The Company has 9,325,000 unexercised options, which were not included in the diluted EPS computation as they were not considered dilutive in nature.

13 COMMITMENTS

	2020 $	2019 $
Operating lease commitments:		
Payable:		
- no later than 12 months*	1,000	1,000
	1,000	1,000

* Operating lease commitments relate to lease of Perth office on a monthly basis. The lease of the Perth office ended on 30 April 2021. The Company no longer has any operating lease commitments.

14 FINANCIAL RISK MANAGEMENT

The Company'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	2020 $	2019 $
Financial Assets			
Cash and cash equivalents	5	15,943	12,947
Trade and other receivables	6	68,528	346
Total Financial Assets		84,471	13,293
Financial Liabilities			
Trade and other payables	8	462,675	193,178
Borrowings (interest bearing)	9	212,049	189,931
Total Financial Liabilities		674,724	383,109

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 Company’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.

14 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 Company. 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 appraised 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 Company.

The Company 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 Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

It is the Company’s policy to maintain sufficient funds in cash and cash equivalents to meet the ongoing operational requirements of the business. Furthermore, the Company monitors its ongoing cash requirements and raises equity or debt funding as and when appropriate to meet its requirements. Trade payables are due within 3 months. The loan facility of $212,049 with a former related party has been partly settled with payment of $100,000 on 30 June 2021 and the remaining balance is due to be settled by 31 December 2021.

14 FINANCIAL RISK MANAGEMENT (CONTINUED)

As disclosed in Note 1 *Going Concern*, the Company has a net deficiency of assets of $591,792. This comprises current assets of $84,471 and current liabilities of $674,724. Current liabilities includes creditors with an outstanding balance at 30 June 2020 of $361,107 who have advised the Company that they will not seek repayment of monies owing to them until the Company has the financial capacity to do so, and a loan amount of $212,049 from a former related party of which $100,000 was subsequently repaid on 30 June 2021.

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	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
	$	**$**	**$**	**$**	**$**	**$**
Financial liabilities due for payment						
Trade and other payables	462,675	193,178	-	-	462,675	193,178
Borrowings (interest bearing)	212,049	206,033	-	-	212,049	206,033
Total contractual outflows	674,724	399,211	-	-	674,724	399,211

(C) MARKET RISK

i. Interest rate risk

The effect on loss and equity as a result of changes in the interest rate, with all other variables remaining constant, would have an immaterial effect.

ii. Foreign exchange risk

The effect on loss and equity as a result of changes in foreign currency exchange rates, with all other variables remaining constant, would have an immaterial effect.

15 OPERATING SEGMENTS

IDENTIFICATION OF REPORTABLE 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 accounting policies for internal reporting purposes are consistent with those applied in the preparation of the financial report.

For management purposes, the Company is organised into a sole reporting segment which is the oil and gas segment located wholly within Australia. All of the Company'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 Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

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

16 INTERESTS OF KEY MANAGEMENT PERSONNEL

(A) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	2020	2019
	$	$
Short-term employee benefits	144,296	89,340
Post-employment benefits	3,644	3,644
	147,940	92,984

(B) OTHER TRANSACTIONS AND BALANCES WITH KMP AND THEIR RELATED PARTIES

Salary and fees for key management personnel includes $88,529 directors' fees unpaid at 30 June 2020 ($160,123 unpaid at 30 June 2019).

OPTIONS GRANTED

There were no options granted to key management personnel during the year ended 30 June 2020 (2019: nil).

17 AUDITOR'S REMUNERATION

	2020	2019
	$	$
Remuneration of the auditor of the Company for:		
- Audit services – RSM Australia Partners	15,000	-
- Audit services – Ernst & Young	17,806	35,360
	32,806	35,360

18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There are no contingent liabilities or assets at 30 June 2020 (2019: nil).

19 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:

On 22 June 2018, the Company entered into an unsecured convertible loan agreement with Emco Capital Pty Ltd ("Emco"), an entity associated with former director, Mr. Lloyd. Emco ceased to be considered a related party on 21 December 2019, being six months after the resignation of Mr. Lloyd on 21 June 2019. Refer to Note 9 for further details of the loan agreement.

(A) RELATED PARTY BALANCES

	2020	2019
	$	$
CURRENT		
- Trade and other payables:		
Amount payable to related entities	-	189,931
Amount payable to related individuals	86,172	161,290
Total	86,172	351,221

20 CASH FLOW INFORMATION

RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH PROFIT AFTER INCOME TAX

	2020	2019
	$	$
Net (loss) for the period	(600,823)	(242,441)
Adjustments for		
Foreign exchange (gains)/losses	(11)	(14)
Borrowing costs	35,000	-
Changes in operating assets and liabilities		
Decrease in trade and other receivables	(68,182)	1,611
Decrease in prepayments	5,386	2,369
Increase in trade payables and accruals	291,622	69,467
	(337,008)	(169,008)

21 EQUITY-BASED PAYMENTS

During 2020 there were no equity-based payments (2019: nil).

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

	NUMBER	WEIGHTED AVERAGE EXERCISED PRICE
Options outstanding as at 30 June 2018	36,355,645	$0.034
Expiry of options	(11,000,000)	$0.10
Options outstanding as at 30 June 2019	25,355,645	$0.05
Expiry of options	(25,355,645)	$0.05
Grant of options	9,375,000	$0.05
Options outstanding as at 30 June 2020	9,375,000	$0.05

The weighted average remaining contractual life of options outstanding at year end was 3.0 years.

At 30 June 2020 there were 9,375,000 outstanding options exercisable at 0.5 cents.

22 EVENTS AFTER THE END OF THE REPORTING PERIOD

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.

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 Hawkley 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 has been assisting the Company with its efforts to identify and complete a suitable transaction to enable the Company to re-capitalise 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 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.

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.

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 Hawkley 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, Hawkley seeking ASX relisting, management and board changes and Hawkley 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 financial 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.

23 COMPANY DETAILS

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

Hawkley Oil and Gas Limited
Unit 3 / Level 1, 47 Havelock Street
West Perth WA 6005

Directors' Declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors.

On behalf of the directors

Mr. Cosimo Damiano
Director
30 August 2021

RSM Australia Partners

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

Opinion

We have audited the financial report of Hawkley Oil and Gas Limited (the Company), which comprises the statement of financial position as at 30 June 2020, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Company is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(ii) 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 Company 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 confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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, which indicates that the Company incurred a loss of $600,823 for the year ended 30 June 2020. As at that date, the Company had net current liabilities and net liabilities of $590,253. 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 opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the directors' report but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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, 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 ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

RSM

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2021

hawkley OIL & GAS