

## ASX Announcement – October 31, 2011

### Hawkley Oil & Gas Drilling and Production Operations Monthly Update

Hawkley Oil & Gas is pleased to provide an update on its operational activities in Ukraine.

#### Highlights:

- Production of 202 MMCF of gas and 6,880 barrels of condensate during the month;
- Earned income of US\$2.4 million net of VAT;
- The Chernetska-1 well is currently at a depth of 3,800 metres, with 561 metres drilled during the month;
- Independent expert confirms three-fold 2P reserves increase for Hawkley's B18b reservoir in the Sorochynska field – full report with Sorochynska licence reserves and resources expected next month;
- Drilling contract signed for Sorochynska-202; spud expected on or before 10<sup>th</sup> December 2011;
- Gas plant design study initiated, and site reconnaissance in progress.

#### Directors

**Paul Morgan**  
Executive Chairman

**Michael Earle**  
Chief Executive Officer

**David Riekie**  
Non-Executive Director

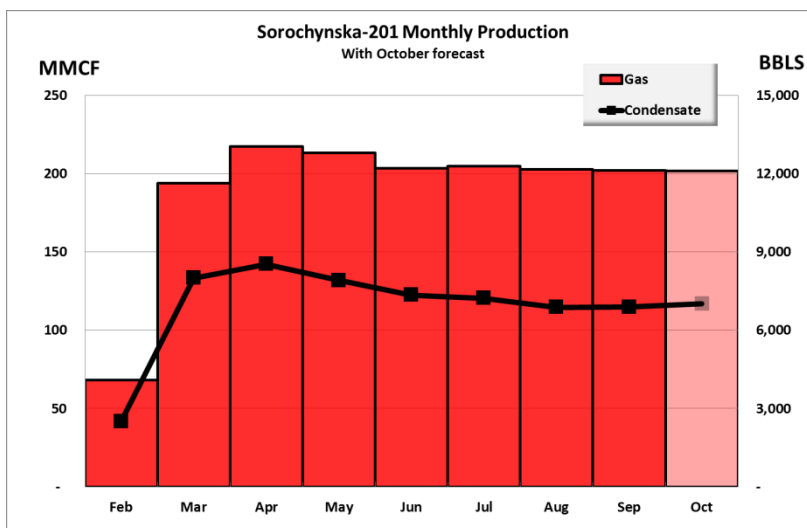
**John Hopkins**  
Non-Executive Director

#### Share Information

ASX Code:	HOG
Shares on issue:	285.5 million
Options on issue:	39.8 million
Share Price:	25.5c
Market Cap:	\$73 million

#### Production

Figure 1: Production Volumes



During October, daily production from the Sorochynska-201 well averaged 6.5 MMCF of gas and 227 bbl of condensate, compared with daily averages of 6.7 MMCF and 230 bbl in September.

Cumulative production volumes were sustained, however, because of the additional day in the month, and

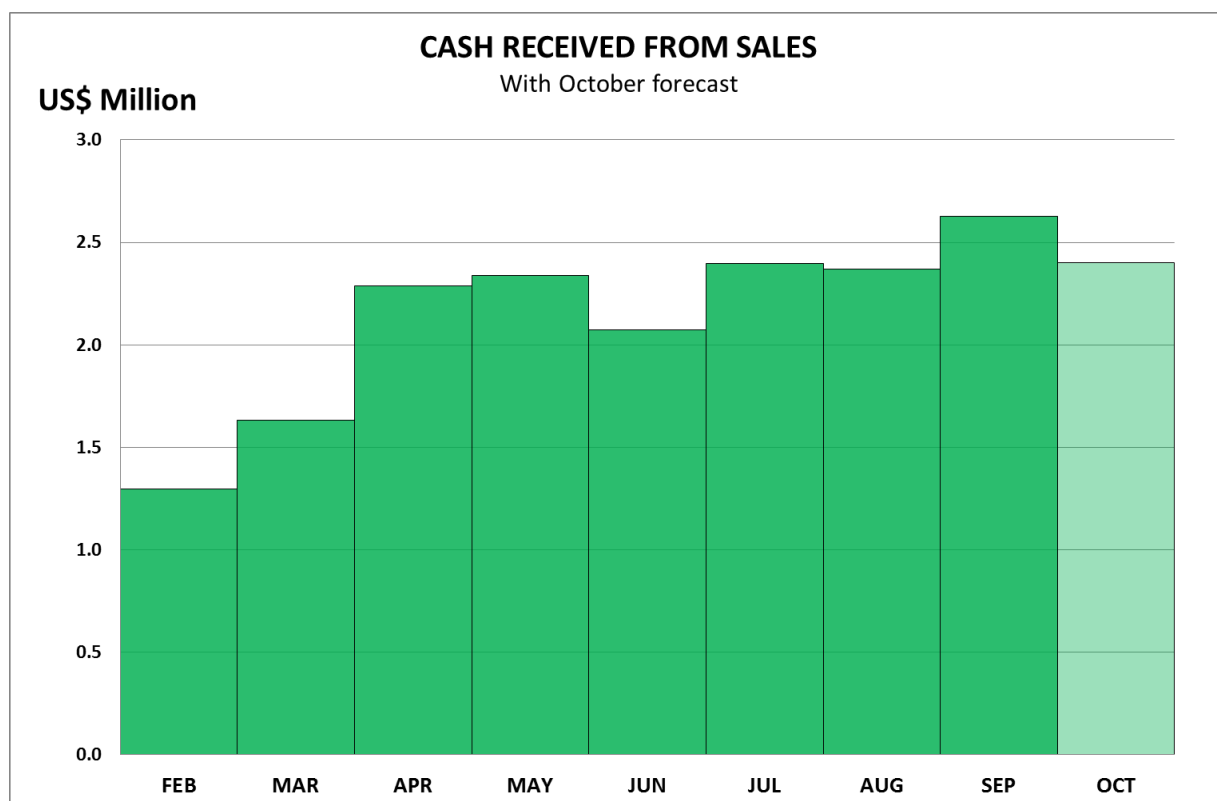
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amounted to 202 MMCF of gas and 6,880 barrels of condensate.

### Sales

Figure 2 shows the cash received from sales, net of VAT, from the start of production in February, and a forecast of US\$2.4 million earned income for October. Some of the month-to-month variation is a consequence of the sales agreements, as they specify part payment in advance, part payment during the month of delivery, and a final payment after fulfillment of the monthly contracted amount.

**Figure 2: Sales Receipts**

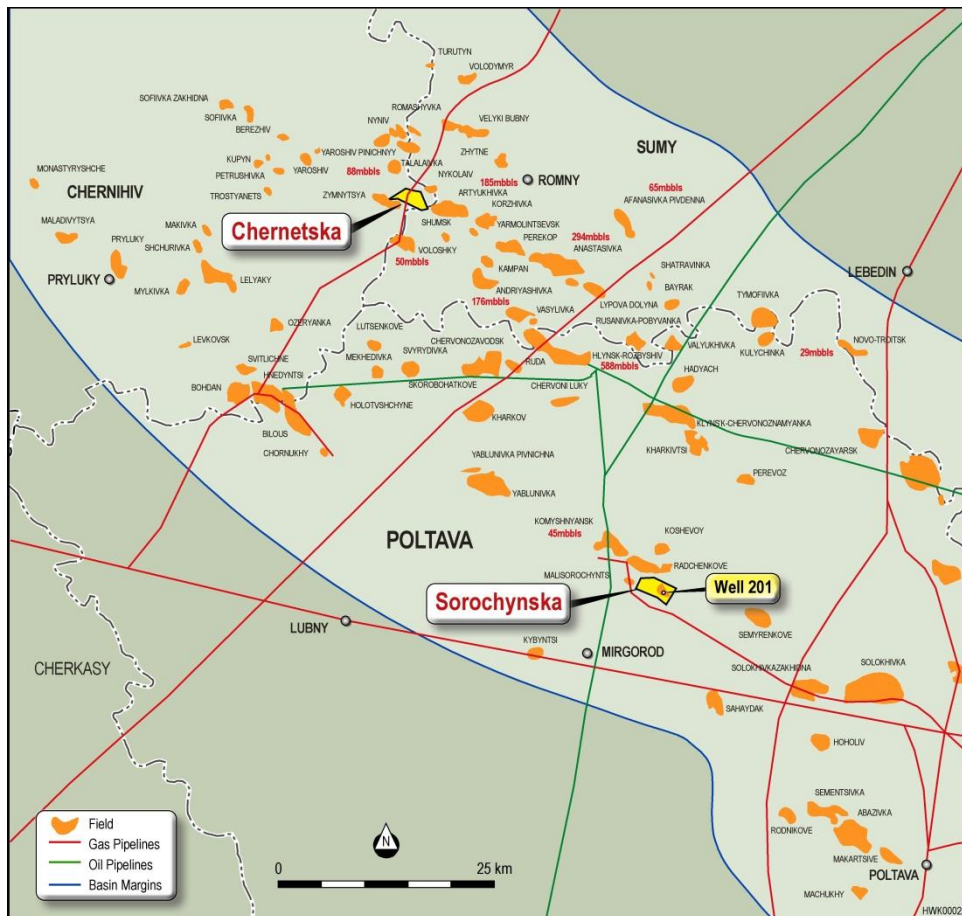


### Field Development and Drilling Operations

Prime Gas LLC, Hawley's operating subsidiary in Ukraine, has signed a contract with a local Ukrainian contractor to drill the Sorochnyska-202 development well. A location has been prepared and the well is expected to spud on or before 10<sup>th</sup> December and take 160 days to drill to target depth. The surface location of Sorochnyska-202 is 400m to the northeast of the current production well Sorochnyska-201.

Hawley is currently drilling its first well in the Chernetska Licence, which is situated west of Kiev in the north-east part of Ukraine, and 80km from its Sorochynska Licence (Fig. 3). Dry-hole cost for material and services is budgeted at US\$8 million and cost to date is US\$6.5 million.

**Figure 3: Location Map of Hawley's Licences**



Chernetska-1 was spud on 6<sup>th</sup> May 2011. As at 29<sup>th</sup> October, the current operation was pulling out of the hole (POOH) to change a used bit and the bottomhole assembly after the well had drilled through a Middle Carboniferous sequence dominated by a finely-crystalline hard limestone. During the month, the well was deepened from 3,239m to the current depth of 3,800m, a total of 561m.

Progress was slower than expected because a downhole motor that was installed in September suffered a broken driveshaft, and the PDC bit was replaced by a normal rock bit. Hawley is waiting on the arrival of a replacement motor sourced from Russia and expects the final few hundred metres down to the B20 target will be drilled at a faster rate during November.

## Reserves and Resources

Hawkley recently announced the results of an assessment by an independent Competent Person, in respect to reserves attributable to the B18b reservoir that is producing from the 110 fault block in the Sorochynska field. This was the first assessment that was able to incorporate the production and pressure history of the Sorochynska-201 well, and the first study able to generate computer-contoured maps of the geological structure and reservoir characteristics from digital data. The results were in line with an earlier, internal study commissioned by Hawkley, a summary of which was announced on 2<sup>nd</sup> June.

Evaluation of the contingent and prospective resources within the Sorochynska Licence continues, and the final report is expected in November.

## CEO's Comments

Hawkley's CEO Dr Michael Earle said the Company was ramping up its activity level with the mobilisation and spud of the Sorochynska-202 well. He said a plan outlining the full development of the reserves in the B18b reservoir will be included in the Competent Persons report due next month.

## ENDS

For more information, contact

Dr Michael Earle

Chief Executive Officer

Hawkley Oil & Gas Limited

Ph: 08 9429 8856

[www.hawkleyoilandgas.com](http://www.hawkleyoilandgas.com)

## About Hawkley

Hawkley is an upstream company focused on the exploitation of undeveloped discoveries made in the Dneiper-Donets Basin in Ukraine. The Company owns 100 per cent of two exploration licences that include the right to pilot production of hydrocarbons.

In 2010, the Company drilled its first well in the Sorochynska licence. Sorochynska-201 was a successful well and was put into production in February 2011. Hawkley intends to build its own gas handling plant in 2012 to enable production to be ramped up for additional production of gas and condensate at its Sorochynska Licence. Incremental production could come from additional development wells on the Sorochynska Field as well as new reserves related to exploration and appraisal drilling. The company is presently engaged in appraising an oil discovery made in its Chernetska Licence.