

ASX Announcement – January 17th, 2012**Hawkley Oil & Gas: Operations Update**

Hawkley Oil & Gas is pleased to provide an update on the progress of its operations in Ukraine.

- Chernetska-1 has drilled through the B24/25 carbonate and wireline logging operations are in progress;
- Sorochynska-202 development well is due to spud on 22nd January;
- A 100km² programme of seismic acquisition will commence in the Sorochynska licence in February;
- Hawkley intends to drill an exploration well in Q4 2012 and is evaluating whether it will be in the Chernetska licence or Sorochynska licence.

Chernetska-1 Well

Since the previous update, announced at the end of December, the Chernetska-1 well drilled through the thick shale sequence overlying the B24/25 carbonate, and drilled through the carbonate interval to a depth of 4,595m, just 65m above the planned final TD of the well. Wireline logging operations commenced on 14th January with the gamma ray, sonic and electric log suite. Logging should be complete within the week, and a decision on testing will be taken following analysis and interpretation of the entire suite.

Sorochynska-202 Production Well

The procurement of diesel motors had delayed the spud of Sorochynska-202 production well which is now scheduled for 22nd January. A detailed announcement about the well will be included in the month-end update for January.

Exploration Programme, 2012

Hawkley intends to retain its focus on drilling appraisal and development prospects, but in 2012 will be expanding its activities to include relatively low risk exploration targets in its licences. To this end, the company will be acquiring a 100km² programme of 3D seismic data over the Sorochynska Licence, commencing in February. The purpose of the seismic programme is to provide high resolution imaging

Directors**Paul Morgan 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:	18c
Market Cap:	\$51 million

of the Sorochynska B18 field in order to improve selection of sites for additional production wells, but also to identify and delineate exploration prospects across the licence area. The programme will cover 90% of the licence area, excluding only a narrow strip on the western border of the licence area because of the presence of a string of villages and cultural infrastructure.

Acquisition and processing are expected to take 5-6 months and the results will be available for interpretation mid-year.

Regarding Chernetska, a full technical evaluation of the licence will be carried out during 1H 2012, to include the results of Chernetska-1, with a view to identifying exploration and appraisal prospects. One objective of the evaluation is to identify whether there is a need to acquire additional 2D seismic data, or a programme of 3D acquisition over the licence area.

CEO's Comments

Chief Executive Officer Dr Michael Earle said "2011 was marked by a 3-fold upgrade in 2P reserves, the start of production, revenue and profitable operations, and a successful placement that provided \$15.1 million cash for continuation and expansion of the investment programme. 2012 will be another developmental year for Hawkley, notably in the expansion of operational activity to include exploration seismic acquisition and drilling, and the implementation of a field development plan to increase production from the Sorochynska field."

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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 drilling in its Chernetska Licence.