

ASX Announcement – February 1st, 2012

Hawkley Oil & Gas: Monthly Update

Hawkley Oil & Gas is pleased to provide an update on production, sales, and the progress of drilling and seismic operations in Ukraine.

- Production in January amounted to 206 MMCF of gas and 7,050 barrels of condensate, compared with 216 MMCF and 7,350 barrels in December;
- Sales generated Aus\$2.6 million in net revenue before state royalties;
- Chernetska-1 reached final TD of 4,630m having penetrated the Visean B26 interval as per plan. A suite of TD logs was run and is being interpreted;
- An openhole test carried out over a 19m interval in the B24/25 Visean carbonate recovered drilling mud and filtrate from a tight formation;
- Spud of the Sorochynska-202 development well is imminent, and the well is scheduled to reach a TD of 4,250m in August;
- A 3D seismic programme of 100km² commenced acquisition of data in the Sorochynska licence and will be completed in April.

Directors

Paul Morgan
Chairman

Michael Earle
Chief Executive

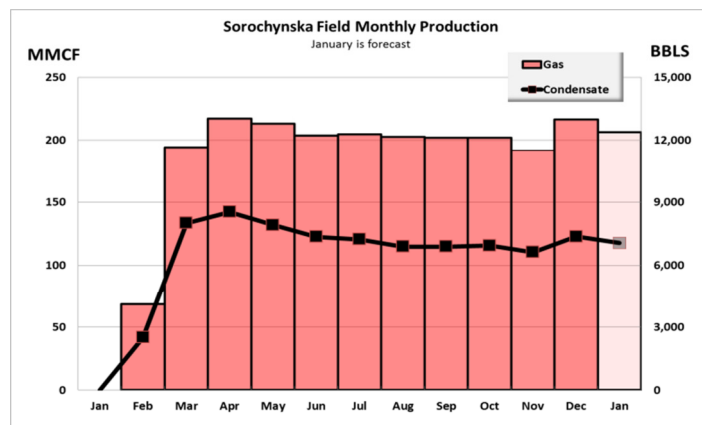
David Riekie
Non-Executive Director

John Hopkins
Non-Executive Director

Shares Information

ASX Code:	HOG
Shares on issue:	285.5 million
Options on issue:	39.8 million
Share Price:	16.5c
Market Cap:	\$47 million

Production & Sales



At 206 MMCF and 7,050 barrels for the month, production volumes in January were sustained at 96% of the December totals for gas and condensate, averaging 6.6 MMCF/day of gas and 228 bbl/day of condensate.

Earned revenue amounted to US\$2.6 million net before state royalties (production taxes), and US\$1.9 million net of state royalties.

Chernetska-1 Well

Since the previous update, announced on 16th January, a basic suite of wireline logs was run over the B24/25 carbonate and an open hole drill stem test conducted over a 19m interval from 4,579m to 4,596m in the lower part of the formation.

There was negligible fluid inflow of 0.5 barrels during the test, and this inflow was interpreted as primarily drilling mud and filtrate. The result seems to indicate that the interval tested has very low permeability at this location, though formation damage due to the significant length of time the formation was exposed cannot be excluded.

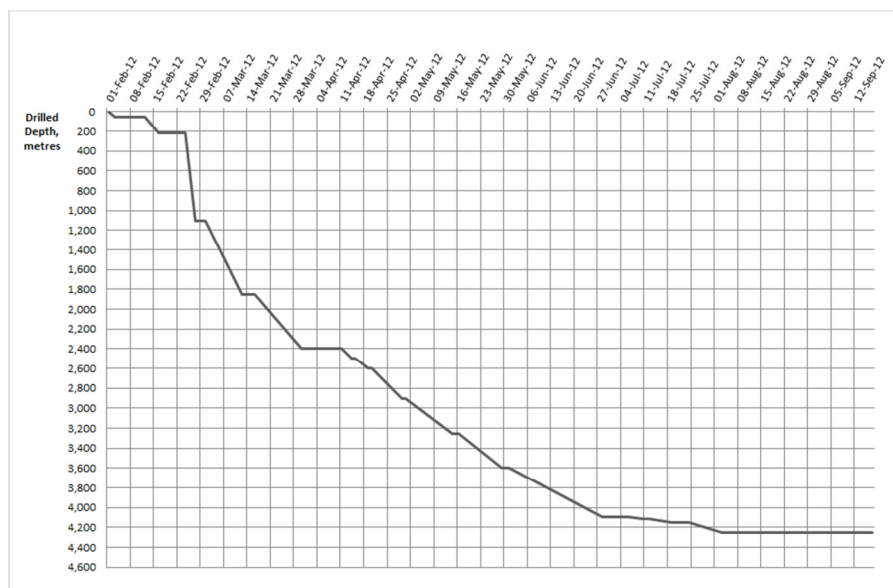
Chernetska-1 drilled ahead to a final TD of 4,630m in the B26 formation, as per programme, and a full suite of logs was run. A decision on the forward programme of the well will be made following interpretation of these data.

Sorochynska-202 Development Well

Severe sub-zero temperatures have delayed rig-up, but Hawkley now expects to spud its Sorochynska-202 development well in early February.

Sorochynska-202 is situated some 400m updip from Sorochynska-201 which has been producing from the Upper B18 reservoir since February 2011, and will be the first of four infill wells planned to develop the 3P reserves of gas condensate in the B18 reservoir. The well will also address additional resources in the (deeper) B19 reservoir sandstone, which tested gas in offset well #469.

Figure 1: Time-Depth Plan of Sorochynska-202



Sorochynska 3D Seismic Acquisition

Figure 2: Area of Seismic Acquisition

A turnkey contract was negotiated with Ukrgeofizika for US\$2 million, to acquire 100km² of full-fold seismic data across the Sorochynska licence. In Figure 2, the red line shows the licence area and the yellow line shows the overall footprint of the survey lines, which is more than 200km².

Line clearing and surveying commenced early in January in advance of the mobilisation of the seismic equipment and crew. Mobilisation has now been completed and a series of tests performed with the vibrators to identify the optimal acquisition parameters.



Figure 3: Seismic Acquisition in Sorochynska



Acquisition of data commenced on Australia Day and is expected to take two months to complete, plus contingency for bad weather causing muddy ground at the end of the period.

Pictured opposite is the 3-in line formation of Nomad vibrators.

CEO's Comments

Chief Executive Dr Michael Earle commented that Hawkley was disappointed not to have made a commercial discovery with its first well in the Chernetska licence. "Nonetheless, the geological data and information gained provide intangible benefits that guide the company forward. Significantly, oil was observed in the mud while coring the B20 Viséan sandstones and drilling ahead afterwards, and oil staining was visible on the core. An evaluation of all data is being carried out to assess whether a valid geological trap is present in the vicinity of the well. Regarding the B24/25 carbonate interval, it proved

to be tight formation at the well location but it remains the primary exploration target in the licence and Hawkley is evaluating whether or not to acquire new seismic data in 2012 with the aim of imaging permeable (prospective) areas of the formation.

Regarding Sorochynska, in addition to drilling a second producer on the B18 reservoir, Hawkley is increasing its activity and will invest in exploration to address the considerable upside that exists in the licence area. The acquisition of 3D seismic data to define new prospects is seen as an essential precursor to drilling.”

ENDS

For more information, contact:

Dr Michael Earle

Chief Executive

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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.