

Hawkey Oil and Gas

Summaries - Australian Financial Review, 20/04/11, Market Wrap - Street Talk, Page 21

By: Sarah Thompson and Paul Garvey

Capital raising oils the wheels of Hawkey's expansion

Efforts by Hawkey Oil & Gas to bring institutional shareholders on to its register have led the Perth-based group to relent to a capital raising.

The resources success story is believed to have raised about \$15 million through Hartleys, despite the company generating strong cash flows from its gas and condensate fields in the Ukraine.

Hawkey has long eyed institutional support as the next leg in its evolution, and appears to have accepted that a placement is the best means of

achieving that. The company plans to put the new funds to good use, with the cash enabling it to finalise its drilling programs and develop its own gas plant.

Hawkey produces about 7.3 million cubic feet of gas and about 265 barrels of condensate each day, but will add around 30 per cent to those figures when it eases the choke on the wells.

That operation is already generating decent cash flow of between \$2.5 million and \$2.8 million a month. With the Ukraine government recently announcing plans to increase the gas

price to \$US12 per thousand cubic feet, that figure will only grow.

The raising will allow Hawkey to build its own gas plant at a cost of about \$2 million.

At the moment, about 11 per cent of Hawkey's revenue goes towards its third-party gas plant operator, so its own plant would offer a relatively swift payback time.

Hawkey is also believed to be considering a share purchase plan to allow existing shareholders to add to their position.