

ASX Announcement – January 30, 2015**Quarterly Activities Report for the Quarter Ended 31 December 2014****Highlights**

- Production for the quarter from the Sorochynska Field totalled 107 mmscf gas and 2,271 Bbls of condensate;
- Total income from production during the Quarter was US\$1.64 million;
- Significant cost reductions achieved with closure of the London office and restructure of Board and Management;
- Halt in production from Sorochynska Well 201 due to water influx. Technical evaluations are being undertaken into several remedies that could restore production;
- Options being assessed for potential workovers of Well 202 and another previously producing abandoned well located on the Sorochynska Production Licence;

Hawkley Oil & Gas Limited ("Hawkley" or "The Company") provides the following report on activities for the quarter ended 31 December 2014.

Sorochynska Production Licence

Location: Onshore Dnieper-Donets Basin, Ukraine
Area: 96.7km²
Hawkley's Interest: 100% & Operator

In November 2014, the Sorochynska 201 well in Ukraine experienced a sudden significant decrease in production. Investigations identified that the change in performance was due to water influx. Production ceased during December whilst investigations into possible remedies continued. The Company is currently arranging for additional compression equipment to be installed in an effort to resume production. Further information on this will be provided in due course.

Directors

Glenn Featherby
Executive Chairman

Bill Foster
Non-Executive Director

Anthony Reilly
Non-Executive Director

Share Information

ASX Code:	HOG
Shares on Issue:	288.2M
Options on Issue:	13.0M
Share Price*:	0.4¢
Market Cap*:	\$1.2M

*As at 30th January, 2015

The Company is also continuing technical and economic assessment of options for the possible workover of its Well 202 and another existing well on the Sorochynska property. The second well is owned by another entity but is located on Hawkley's licence area and would be subject to a profit sharing arrangement. The well produced a considerable quantity of gas and condensate but was abandoned by the Ukraine Government for non-economic reasons. Work over costs would be considerably less than the costs of drilling a new well.

Stoliarovska Production Licence

Location: Onshore Dnieper-Donets Basin, Ukraine
Area: 47km²
Hawkley's Interest: 100% & Operator

As previously advised, the licence area is covered by a relatively closed space grid of mixed vintage seismic. In 2013 Ukrgeofizika was contracted to reprocess and reinterpret the 2D seismic data set. Ukrgeofizika's reprocessing and interpretation report was received in December 2013 and has been reviewed by Hawkley's technical team. The timing and extent of further exploration is subject to an improvement in the Company's current financial position and the results of farm-out discussions.

Chernetska Exploration & Production Licence

Location: Onshore Dnieper-Donets Basin, Ukraine
Area: 51.7km²
Hawkley's Interest: 100% & Operator

The timing and extent of further exploration is subject to an improvement in the Company's current financial position and the results of farm-out discussions.

Business Development

The Company considered options to diversify to reduce its geopolitical and product risk culminating in the announcement on 14 October of the proposed sale of its Ukraine assets to Black Star Petroleum Limited ("BlackStar"), subject to due diligence and shareholder and regulatory approvals. However BlackStar withdrew from the sale agreement on 24 November 2014.

Hawkley's strategy to maximize value from its existing Ukraine assets remains in place, and potential farm-in and joint venture options are being pursued. The Company also continues to pursue opportunities in other regions that meet Hawkley's criteria and do not require significant acquisition capital to be raised. Given the ongoing political issues in Ukraine, negative investor sentiment for the region remains.

Geo-political Issues and Foreign Exchange

Capital controls established by the Ukrainian government remain in place in an effort to safeguard the economy and protect foreign exchange reserves. Cashflow has been significantly impacted as a result of the temporary increase in gas royalties from 28% to 55% which came into effect from 1 August 2014. This increase was an emergency budget measure and royalty rates were supposed to revert to previous levels from 1 January 2015 however this has not yet occurred and is a significant factor in assessing the economic prospects of potential well workovers.

Cost Reduction Programme and Restructuring

During the quarter, cost reductions and restructuring efforts continued, including closure of the London head office and restructure of the Board and Management. The London-based directors: Mr Richard Reavley (CEO), Mr Graham Lyon and Lord Risby; announced their resignations on 14 October

2014 in conjunction with the announcement of the proposed BlackStar sale agreement. Mr Anthony Reilly was appointed to the Board of Hawkley on the same day.

The Company is now being managed from the Perth office, with Executive Chairman Glenn Featherby assuming the management duties. There have also been staff reductions and cost saving measures implemented in Kiev following the production halt at Well 201.

Petroleum Tenements

There have been no acquisitions, disposals or changes in beneficial interests in petroleum tenements during the Quarter.

ENDS

For more information, please contact:

Glenn Featherby
Executive Chairman
Hawkley Oil & Gas Limited
Ph: 08 9226 3211
www.hawkleyoilandgas.com

About Hawkley Oil & Gas Ltd

Hawkley Oil & Gas Ltd (ASX: HOG) is an exploration, development and production company with 100 per cent owned assets in Ukraine, a country with huge untapped gas potential. With a focus on emerging markets, its vision is to create a world-class independent oil and gas company with a portfolio of quality assets in some of the most prolific hydrocarbon basins in the world.

The company's current assets include:

Sorochynska (100% HOG): Approximately 320km east of Kiev in the Poltava region of Ukraine, 3km to the west of Velyki Sorochynska village. Includes a gas plant owned and operated by Hawkley and a pipeline connected to well 201.

Stoliarovska (100% HOG): Located 25km east-southeast of Romny in the Sum'ska Oblast, 225km to the east of Kiev. Situated 40km east-southeast and 60km north of Hawkley's Chernetska and Sorochynska licences respectively.

Chernetska (100% HOG): Approximately 300km north east of Kiev in the Talalayvskiy district of the Chernigiv region of Ukraine, about 2km to the southeast of the village of Chernetska, in the northwestern part of the Dnieper-Donets Basin.

