

ASX Announcement – 14th October 2014**Proposed Sale of Hawkley Oil and Gas Limited
Subsidiaries to Black Star Petroleum Limited**

Hawkley Oil and Gas Limited ("Hawkley" or "the Company", ASX: HOG) announces that it has entered into a binding terms sheet for the proposed sale ("Proposed Sale") of Hawkley's four wholly owned subsidiaries: Janita Global Limited, Ukraine Investments Pty Ltd, Ukraine Gas Investments Pty Ltd and Prime Gas LLC ("the Subsidiaries") to Black Star Petroleum Limited ("BlackStar", ASX: BSP). The Subsidiaries control all of Hawkley's Ukraine operations.

The consideration to be paid by BlackStar to Hawkley will be 600,000,000 fully paid BlackStar ordinary shares, which will be distributed directly to Hawkley shareholders.

Following completion of the sale, one Australian based non-executive director nominated by Hawkley will be appointed to the board of BlackStar. Hawkley's Executive Chairman, Mr. Glenn Featherby, will not be nominated for the board of BlackStar.

The proposed sale is subject to a number of standard conditions, including:

- Completion of due diligence by BlackStar on Hawkley and the Subsidiaries, business and operations.
- BlackStar obtaining all regulatory approvals to proceed with the acquisition.
- Completion of due diligence by Hawkley on BlackStar on its subsidiaries, business and operations.
- The shareholders of Hawkley approving the contemplated transaction, including a resolution authorizing the disposal of Hawkley's main undertaking
- The shareholders of BlackStar approving the contemplated transaction, including a resolution authorising the allotment and issue of the consideration shares to Hawkley shareholders in accordance with the ASX listing rules and the Corporations Act.

Hawkley and BlackStar have commenced due diligence and notices convening the relevant shareholder meetings will be released in due course.

Directors

Glenn Featherby
Executive Chairman

Richard Reavley
Chief Executive Officer

Lord Risby
Non-Executive Director

Graham Lyon
Non-Executive Director

Bill Foster
Non-Executive Director

Share Information

ASX Code:	HOG
Shares on Issue:	287.2M
Options on Issue:	14.0M
Share Price*:	1.0¢
Market Cap*:	\$2.87M

*As at 13 October 2014

About Hawkley

Hawkley is an ASX-listed exploration and development company with oil and gas projects in Ukraine. The Company continues to produce gas and condensate from its well 201. Discussions are being held with two potential joint venture parties interested in investing in Hawkley's projects. Given the considerable cost of drilling wells on the Ukraine projects and the limited sources of funding currently available, Hawkley and BlackStar believe that joint venture / farm in transactions are the most appropriate strategy for the Ukraine operations. Ukraine has recently suffered considerable negative investor sentiment due to its internal political problems and confrontation with Russia.

About BlackStar

BlackStar is a Western Australian based oil exploration and development company listed on the ASX. BlackStar has a 73.07% working interest in approximately 10,000 acres in Banner County, Nebraska USA under the Joint Venture with Bayswater Exploration where it is targeting oil production in the prolific Niobrara and Codell Formations. The Nebraska Oil project represents outstanding potential for growth through both vertical and horizontal fracture stimulated wells. The company plans to complete a third well on its leases, further testing the Niobrara and Codell Formations with a full core test. The well is currently permitted and can commence in the coming months. This will enable BlackStar to fracture stimulate a total of three wells with initial production anticipated soon after.

Following completion of the proposed sale, Hawkley shareholders will hold approximately 50% of BlackStar.

Following completion of the proposed sale, Hawkley shareholders will continue to hold their respective shareholdings in the Company. Hawkley will continue to be listed on the ASX and opportunities will be sought for the Company. These may comprise projects in the oil and gas sector or a complete change in direction may be appropriate depending on what is in the best interests of shareholders. The costs of maintaining the Company until its future is determined will be kept at a minimum. The Board and management will be Australia based and include Mr. Glenn Featherby and Mr. Bill Foster with a third director to be appointed.

Commenting on the proposed transaction, Glenn Featherby, Executive Chairman of Hawkley, said :

"I believe the proposed sale of the Hawkley Subsidiaries will provide Hawkley shareholders with a diversification of project and political risk as a result of becoming shareholders of BlackStar whose North American oil project has the potential for early production and revenue. The key management and personnel of the Hawkley Subsidiaries will remain in place and become part of the BlackStar structure which will also provide a fresh approach to the Ukraine operations.

In addition, shareholders will retain their existing holdings in Hawkley which will seek new opportunities to generate additional shareholder value."

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For more information, please contact:

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