

ASX Announcement – October 31, 2014**Quarterly Activities Report for the Quarter Ended 30 September 2014****Highlights**

- Production for the quarter from the Sorochnyska Field totalled 194 mmscf gas and 3,618 Bbls of condensate;
- Total income from production during the Quarter was US\$1.89 million;
- Positive cash flow of \$25k from operations in the September quarter;
- Cost reduction program continues with closure of the London office and restructure of Board and Management;
- Post Quarter announcement of binding term sheet for the sale of Ukraine operations to BlackStar Petroleum
- Operations remain unaffected by geopolitical situation in Ukraine;
- Discussions with potential farm-out opportunities for Ukraine projects ongoing as well as plans for potential work over of previously producing abandoned well located on the Sorochnyska Production Licence;

Directors**Glenn Featherby**
Executive Chairman**Bill Foster**
Non-Executive Director**Anthony Reilly**
Non-Executive Director**Share Information**

ASX Code:	HOG
Shares on Issue:	287.2M
Options on Issue:	14.0M
Share Price*:	1.2¢
Market Cap*:	\$3.4M

*As at 30th October, 2014

Hawkley Oil & Gas Limited ("Hawkley" or "The Company") is pleased to report on activities for the quarter ended 30 September 2014. During the quarter, Hawkley has maintained stable production at the Sorochnyska 201 well in Ukraine, maintained its positive cash flow position and held further discussions on the potential farm-out opportunity for its 100% owned project portfolio in Ukraine. The Company also 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, subject to due diligence and shareholder and regulatory approvals.

Sorochynska Production Licence

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

The Sorochynska-201 production well operated with 99.5% uptime in the quarter. Sorochynska-201 produced 194 mmscf gas and 3,618 barrels of condensate, representing an average daily rate of 2.10 mmscf gas and 39 Bbls of condensate. Since the start of production in February 2011, Sorochynska-201 has produced 5.52 Bcf gas and 170,617 Bbls condensate.

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

A technical review of the licence is in progress. 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

Hawkley's strategy to maximize value from its existing Ukraine assets remains in place, and negotiations with potential farm-in and joint venture partners are ongoing. As previously stated, the Company also continues to assess opportunities in Ukraine and other regions that meet Hawkley's criteria and do not require significant acquisition capital to be raised.

During the quarter the Company continued farm-out discussions for the 100% owned portfolio of Ukrainian assets. Progress is extremely slow due mainly to the negative investment climate in Ukraine at present.

Negotiations are being undertaken in respect to the work over of an existing well on the Sorochynska property. The well is owned by another entity but is located on Hawkley's licence area. The well produced a considerable quantity of gas and condensate but was abandoned by the Ukraine Government for non-economic reasons. It is hoped that a profit sharing arrangement can be agreed, with the work over costs to be considerably less than the costs of drilling a new well. A technical and economic assessment of the well and its potential is underway.

On 14 October, the Company announced that it had executed a binding term sheet with Black Star Petroleum Limited ("BlackStar") (ASX: BSP) for the sale of Hawkley's subsidiaries which contain the Ukraine assets. The agreement is conditional on satisfactory due diligence and obtaining shareholder

and regulatory approvals. Under the agreement, Hawkley would receive 600 million shares in BlackStar, to be distributed in-specie to Hawkley shareholders. BlackStar intends to use cashflow from the Ukraine operations to develop its 73%-owned Nebraska Oil Project in USA.

Geo-political Issues and Foreign Exchange

Hawkley would like to emphasise that the Company's Ukrainian operations remain unaffected by the ongoing political tensions in some parts of Ukraine, with all staff remaining safe. As previously advised, receipts for gas and condensate sales are US dollar denominated which mitigates ongoing currency risk. 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 are supposed to revert to previous levels from 1 January 2015.

Cost Reduction Programme and Restructuring

Following on from the previous quarter, Hawkley has continued to undertake a strategic review of all company expenditure and has implemented further cost cutting measures. These include 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 until completion of the proposed BlackStar transaction. These measures will protect and strengthen Hawkley's cash position going forward.

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.

