

ASX Announcement – 31 October, 2019**Quarterly Activities Report for the Quarter Ended 30 September 2019**

Hawkley Oil & Gas Limited ("Hawkley" or "The Company") provides the following report on its activities for the quarter ended 30 September 2019.

Agreement to Acquire 33% Operating Interest in North Dakota Producing Oil & Gas Project

On 24 October 2019, Hawkley announced that it had entered into a sale and purchase agreement ("SPA") to acquire an approximately 33% interest and operatorship in a producing oil and gas project ("Project") in North Dakota, USA, for total consideration of US\$2.51m (50% cash/50%scrip). The Project is focused on the Midale/Nesson formations within the Williston Basin (there are presently around 300 producing wells in the area).

The Project, comprising 10 wells in 6,600 gross acres and 29 identified horizontal drilling locations, is located in Burke County, North Dakota. 7 of its 10 wells are currently in production and achieved net operating cash flows of approximately US\$1.15 million in 2018-19 (being approximately US\$0.4 million based on the Company's proposed 33% acquisition interest).

Under the terms of the SPA, the Company will pay US\$1,256,410 in cash (subject to compliance with ASX Listing Rule 1.1 Condition 11), and issue 61,815,367 shares at 3 cents per share (on a post-Consolidation basis) to the Vendors ("**Consideration Shares**") in consideration for the Acquisition.

In connection with the proposed acquisition under the SPA, and subject to obtaining relevant shareholder approvals, the Company intends to:

- (a) Raise \$300k-\$500k interim funding via convertible notes to be issued to sophisticated and professional investors;
- (b) consolidate its securities on a 1 for 10 basis ("**Consolidation**");
- (c) raise \$5million-\$7million (before costs) through a public offer ("**Capital Raising**"), including a priority offer to existing shareholders;
- (d) appoint a nominee of the vendors to the board of the Company; and
- (e) seek to re-comply with Chapters 1 and 2 of the Listing Rules.

Directors**Tom Fontaine**

Managing Director

Murray Wylie

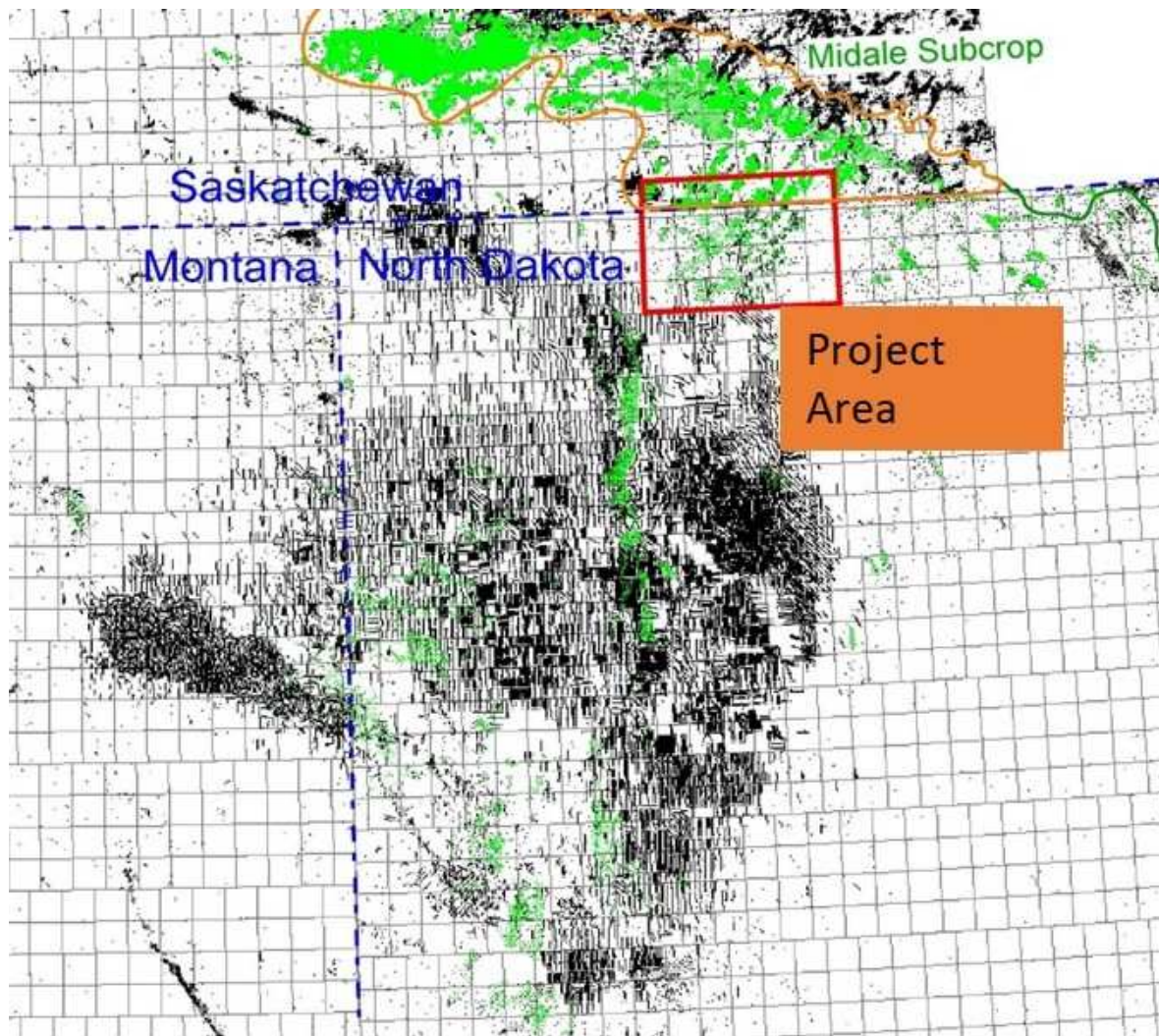
Non-Executive Director

Share Information

ASX Code:	HOG
Shares on Issue:	456.2M
Options on Issue:	25.4M
Share Price*:	0.3¢
Market Cap*:	\$1.4M

*As at 11 May 2017 when shares were suspended from trading on ASX

Project is located in Burke County, North Dakota, near the Canadian border.



Completion under the SPA is subject to a number of conditions precedent including:

- the Company undertaking the Consolidation and the Capital Raising;
- the Company obtaining all necessary shareholder and regulatory approvals required to give effect to the Acquisition, including the issue of the shares under the Capital Raising and the issue of the Consideration Shares;
- execution by Vendors (and/or their nominees) of restriction agreements if required by ASX with respect to the Consideration Shares;
- the Company receiving conditional approval from ASX for the reinstatement of its securities to official quotation and the Company and Vendors being satisfied (acting reasonably) that such conditions can be met; and
- The Company entering into a Transition and Contract Services operator agreement.

During the year ending 30 June 2019, the Project averaged total production of 133 barrels of oil per day (BOPD), plus a further 368MCF (61 equivalent BOPD) of natural gas and 42 equivalent BOPD natural gas liquids. Hawkey is reviewing a number of options to increase production and reduce

operating expenses following completion of the acquisition and recapitalisation. The Company intends to drill and frac one new vertical well. The total estimated cost for this is US\$1m, with Hawkley's share being US\$350k. Based on previous wells, the initial production for a new well is anticipated to be 50-100BOPD, reducing to 50BOPD after one month then slowly declining.

Hawkley is also proposing to carry out a workover and recompletion of an existing well using a strategy that has already been successfully applied. The total cost for this is estimated at US\$1.8M, with Hawkley's share being US\$630k. The process involves casing a preferentially selected one mile lateral in the existing birdsfoot open hole design, then a 20 stage slickwater frac. A similar recompletion of the Paradox Oil 34-31 well resulted in oil flow increasing to about 100BOPD for three months before reducing to 50BOPD then slowly declining as shown below:



The Company is also considering a proposal to develop an on-site salt water disposal system that is expected to reduce operating expenditure by approximately US\$8 per barrel. The estimated cost for this is US\$1M, with Hawkley's share being US\$350k.

The Company is in the process of raising \$300k-\$500k to provide funds to undertake the recompliance with Chapters 1 and 2 of the ASX Listing Rules and for working capital. The interim funding is being raised through the issue of unsecured convertible notes to sophisticated or professional investors. Subject to shareholder approval, the notes would be convertible following the ASX recompliance at 2 cents per share (post consolidation basis) with 1 free attaching option for every 2 shares with an exercise price of 5 cents per share on or before 31 March 2021.

Hawkley has appointed Woodchester Capital Pty Ltd as the Lead Manager for the Capital Raising and to assist with the Interim Funding. Under the terms of the engagement, Hawkley has agreed to issue 20,000,000 shares to Woodchester or its nominees as facilitation/incentive shares to assist with the timely completion of the capital raising. International Island Group Pty Ltd ("IIG") has also been appointed to provide corporate advisory services in relation to the transaction. Hawkley has agreed to issue 12,000,000 shares to IIG or its nominee at completion of the recompliance process.

The Company's securities have been suspended from trading on the ASX since 11 May 2017 following completion of the sale of its Ukraine Oil & Gas assets, whilst the Company has sought to acquire a new main undertaking. Changes to the ASX Listing Rules announced 15 April 2019 mean that Hawkley may

be automatically removed from the Official List on 3 February 2020 if the Company has not completed the acquisition transaction and received all necessary approvals to resume trading of its securities by that time.

It is proposed that at the completion of the acquisition, the board of directors of Hawkley will comprise existing director Tom Fontaine, plus Jason Ferris of Woodchester Capital and Jason Spittlehouse as the vendor nominee.

Mr. Ferris is a director of Woodchester Capital. He is based in Perth, Western Australia, and has worked in financial services, property and corporate finance industries for more than 25 years. Mr. Ferris is an experienced company director having served on the board of numerous public and private companies in Australia, South Africa and United Kingdom. He holds an AFSL and is a Fellow of the Australian Institute of Management (FAIM) and is a Member of the Australian Institute of Company Directors (MAICD). He has also facilitated many joint venture opportunities in the property, tech and mining sectors. He is a current non-executive director of Titanium Sands Limited (ASX:TSL) and resigned on 4 December 2018 from his role as Executive Chairman of Connected IO Limited (ASX:CIO).

Mr. Spittlehouse has held geoscience positions in Australia, UK and SE Asia and holds an MSc from Imperial College, London. Mr. Spittlehouse was a founding director and seed investor at Neon Energy Pty Ltd in 2005. He also founded Houston-based VistaTex Energy LLC in 2010, a privately held producer, operating in seven states, with interests in 50 fields. The company was sold in August, 2014.

Managing Director Tom Fontaine commented: "The proposed North Dakota acquisition represents an excellent project upon which to build a company. It is conventional oil production, from a proven area, with low risk up-side potential. We have a strategy to increase oil production rates in the first half of 2020 by recompleting some of the existing wells, and drilling at least one new well. This is a strategy that has already proven to work in this area. We are also actively reviewing additional projects for growth opportunities."

For more information, please contact:

Tom Fontaine
Managing Director
Hawkley Oil & Gas Limited
Ph: 08 9226 3211
www.hawkleyoilandgas.com
information@hawkleyoilandgas.com

Petroleum Tenements

The Company currently has no petroleum tenements following the disposal of its Ukraine assets in November 2016.