

ASX Announcement – July 29, 2011**Hawkley Drilling and Production Operations Monthly Update**

Hawkley Oil & Gas Limited (ASX code: HOG) is pleased to provide an update on its drilling and production operations in Ukraine.

As at July 28 2011, **production** for the month of July is forecasted to be 205MMscf of gas and 7,300bbls of condensate, with production averaging 6.6MMscf/day of gas and 235bbl/day of condensate.

Sales are expected to generate \$2.6 million of gross revenue. Excluding some working capital in Prime Gas LLC, Hawkley had approximately \$13 million of cash reserves at month-end.

Preparation continues for the **next Sorochynska well**, scheduled for Q4 2011. Discussions are in progress with a preferred contractor. Regarding the **gas handling plant** that the Company plans to build in 2012, the engineering design study is to be carried out in Ukraine by local institutes under Hawkley management. Completion of the design study will take two months, and subsequent approval by the Ukrainian authorities is expected by year-end.

Chernetska-1 is drilling ahead at a depth of 2,351m. During the month of July, up to the 28th, the well had drilled 273m and set intermediate casing at 2,194m.

Reserves and Production

Independent expert Moyes & Co. has been contracted to assess the reserves and prospective resources in the two Hawkley licences, as well as prepare a Field Development Plan (FDP) for the Sorochynska gas condensate field. A project kick-off meeting was held in Hawkley's Kiev office during the month, and the technical data was copied to Moyes for analysis back in Houston, USA. The project report is scheduled to be delivered in Q4 2011 and will incorporate any available test results from the Chernetska-1 well.

A natural drop in formation pressure at the Sorochynska well caused a small reduction in the production rate in July. Hawkley intends to increase the choke size to maintain current levels.

Directors**Paul Morgan**

Executive Chairman

Michael Earle

Chief Executive Officer

David Riekie

Non-Executive Director

John Hopkins

Non-Executive Director

Share Information

ASX Code:	HOG
Shares on issue:	285MM
Options on issue:	39.8MM
Share Price:	31.5c
Market Cap:	\$90MM

Chernetska-1 progress

Chernetska-1 was spud on May 6 2011. It is the Company's second well in Ukraine and the first well to be drilled by Hawkley on its Chernetska Licence. Dry-hole cost for material and services is budgeted at US\$8 million and cost to date is US\$4.5 million.

During the month, the well was drilled from 2,078m to an intermediate casing point of 2,194m at the base of the Triassic interval. Casing was set successfully, then cement drilled out, and the well is currently drilling ahead at 2,351m in the Permian interval.

The forward programme is to drill to 2,560m and case the Permian interval because it contains some beds with bishophite, a mineral that could cause problems while drilling down to the primary target of the B20 reservoir, which is expected at 4,360m drilled depth.

CEO's comments

Hawkley CEO Michael Earle said the Company's cash reserves from the recent placement plus revenue from forecast production would be sufficient to fund the budgeted work programme through 2012. "Hawkley is focused on growing and developing a sustainable business in Ukraine and therefore we are searching for new opportunities that have a strategic fit as 100 per cent owned appraisal-development assets," he said.

About Hawkley

Hawkley is an upstream company focused on the exploitation of undeveloped discoveries made in the Dneiper-Donets Basin in Ukraine. The Company owns 100 per cent of two exploration licences that include the right to pilot production of hydrocarbons.

In 2010, the Company drilled its first well in the Sorochynska licence. Sorochynska-201 was a successful well and was put into production in February 2011. Hawkley intends to build its own gas handling plant to enable production to be ramped up for additional production of gas and condensate at its Sorochynska licence. Incremental production could come from additional development wells on the Sorochynska Field as well as new reserves related to exploration and appraisal drilling.

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For more information, contact

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