

## Continuous Disclosure Announcement – 9 December 2021

### Company Update

Hawkley Oil & Gas Limited (“Hawkley” or “the Company”) refers to its previous announcement dated 8 September 2021, in relation to the Plan of Arrangement (Plan) with Persist Oil and Gas Inc (Persist) and provides the following update.

Hawkley and Persist entered into a Plan of Arrangement dated 3 September 2021 and a subsequent Amendment on 25 October 2021. Under the revised terms, Hawkley agreed to increase the equity component of the offer, which is entirely payable in scrip to Persist shareholders. The summary of revised terms are as follows:

- Enterprise value of C\$35 million being ~10% or C\$3 million higher
- The increase represents a higher equity amount and will be fully settled in Hawkley shares and options being issued to Persist shareholders
- The minimum and maximum amount to be raised in the IPO has increased from A\$12 million to A\$15 million (previously A\$8 million to A\$11.75 million)
- Subject to all required conditions of the transaction being met, at listing, the merged entity will have 199,268,265 shares on issue assuming the maximum amount is raised under the IPO (versus 151,246,154 shares prior to the amended terms)

Persist’s key operational highlights are as follows:

- Average working interest of 82% and net revenue interest of 79%
- Extensive land position of 128,000 net acres across four producing fields
- Production averaged 2,868 BOEPD for the month of September 2021 (34% oil)
- Independently certified Total Proven & Probable (“2P”) reserves of 13.5 MMBOE
- Target EBITDA of C\$11.0 million for the 12 months ending 31 December 2021.

The Merger is subject to certain conditions that include, but are not limited to, certain standard stakeholder consents, conditions precedent in the Plan of Arrangement, Hawkley seeking Australian Stock Exchange (ASX”) re-listing approval, (an Application for In-principle Advice was approved by ASX on 29 September 2021) and Hawkley undertaking a share consolidation and proposed Board & Management changes. Accordingly, Hawkley has scheduled an EGM on 15 December 2021 at 10.00 WST, for Hawkley shareholders to vote on the merger. The Directors of Hawkley unanimously recommend Hawkley shareholders to vote in favour of the merger with Persist, subject to certain conditions being met, and our rationale is detailed in the Notice of Meeting that has been emailed to shareholders by the company’s share registry Automic.

#### **Directors**

##### **Joseph Naemi**

Non-Executive Chairman

##### **Cosimo Damiano**

Executive Director

##### **Murray Wylie**

Non-Executive Director and  
Company Secretary

The Directors of Hawkley are also pleased to announce the appointment of the following advisors to the ASX IPO:

CPS Capital Group Pty Ltd (CPS) to act as Lead Manager for the Initial Public Offering (IPO) and proposed listing on the Australian Securities Exchange (ASX) of the merger between Hawkley and Persist Oil and Gas Inc (Persist).

CPS is Australia's largest and most active small-cap Stockbroker and Corporate Advisory firm, specialising in building long term sustainable relationships with small to medium-sized junior high growth companies. CPS has an experienced and diversified team that has recently led numerous corporate advisory services to the retail and wholesale market.

In addition to the appointment of a Lead Manager, other IPO key advisors have been appointed.

Sproule Associates Limited (Sproule), are acting as independent experts for Independent Geologist's Report required for the IPO Prospectus.

The Company also appointed Moore Australia to complete an Independent Expert Report and Investigative Accounting Report.

Hawkley's Australian legal advisor is Steinepreis Paganin and its Canadian legal advisor is Gowling WLG (Canada) LLP.

The Board envisages, that subject to the satisfaction of certain conditions, Hawkley will seek re-admission to list the combined entities through an Initial Public Offering (IPO) and apply for quotation of its shares on the ASX during January 2022.

### Capital Raising and Indicative Capital Structure

Hawkley plans to undertake an equity capital raising for a minimum of A\$12 million (maximum A\$15 million) before costs, through the issue of fully paid ordinary shares pursuant to the IPO prospectus at A\$0.20 per share, with further details to be provided once the prospectus is lodged.

Funds raised will be used to reduce debt and to finance the development drilling of up to 8 new wells, in order to potentially double production by the end of 2022; to approximately 5,600 BOEPD.

The indicative equity capital structure of Hawkley following completion of the merger and capital raising is set out in the table below:

Indicative Equity Capital Structure	Minimum Subscription	Maximum Subscription
Shares currently on issue <sup>1</sup>	4,436,033	4,436,033
Shares to be issued under the Offer <sup>2</sup>	60,000,000 <sup>2</sup>	75,000,000 <sup>3</sup>
Shares to be issued on conversion of Convertible Notes <sup>3</sup>	24,000,000	24,000,000
Consideration Shares to be issued to Persist Shareholders <sup>4</sup>	95,457,232	95,457,232
Shares to be issued to Past Directors <sup>5</sup>	375,000	375,000
<b>Shares on issue Post-Listing (undiluted)</b>	<b>184,268,265</b>	<b>199,268,265</b>
Options currently on issue <sup>1,6</sup>	643,750	643,750
Options to be issued to Corporate Advisor and Lead Manager <sup>7</sup>	4,000,000	4,000,000

<b>Consideration Options to be issued to Persist Shareholders<sup>8</sup></b>	9,545,752	9,545,752
<b>Performance Rights to be issued to Directors and management<sup>9</sup></b>	16,000,000	16,000,000
<b>Shares on issue Post-Listing (fully diluted)</b>	<b>214,457,767</b>	<b>229,457,767</b>

- (1) The consolidation of the Company's issued capital (on the basis that every twenty (20) Shares be consolidated into one (1) Share) (the Consolidation) is to be approved by Shareholders at the upcoming General Meeting.
- (2) Assuming the Minimum Subscription of \$12,000,000 is achieved under the Offer
- (3) Assuming the Maximum Subscription of \$15,000,000 is achieved under the Offer
- (4) Shares to be issued to Persist Shareholders under the Arrangement Agreement; Consideration is based on C\$1.27 per share and share ratio of 6.82625
- (5) Outstanding past Director fees owed to Thomas Fontaine, Murray Wylie, and John Kane Marshall totaling \$75,000 will be settled in Shares at \$0.20 per Share upon ASX listing
- (6) The consolidation of the Company's issued options (on the basis that every twenty (20) Options be consolidated into one (1) Option) (the Consolidation) is to be approved by Shareholders at the upcoming General Meeting. Expiry 30 June 2023 and exercise price of \$1.00 per share
- (7) Issue a total of 4,000,000 Options to the Lead Manager (3,000,000) and Corporate Advisor (1,000,000); exercise price of \$0.30 per share expiring 3 years from ASX Listing
- (8) Shares to be issued to Persist Shareholders under the Arrangement Agreement; Consideration is based on one Option for every 10 Shares issued; exercise price of \$0.30 per share expiring 3 years from ASX Listing
- (9) Performance shares issued to merged entity Management vesting in three equal tranches as follows:
  - a. Comprising 5,333,333 Class A Performance Rights (which vest upon the VWAP of Shares trading on the ASX being at least A\$0.30 per share over 20 consecutive trading days [on which Shares have actually traded])
  - b. Comprising 5,333,333 Class B Performance Rights (which vest upon the VWAP of Shares trading on the ASX being at least \$0.40 per share over 20 consecutive trading days [on which Shares have actually traded])
  - c. Comprising 5,333,334 Class C Performance Rights (which vest upon the VWAP of Shares trading on the ASX being at least \$0.50 per share over 20 consecutive trading days [on which Shares have actually traded])

The Merger between Hawkley and Persist will create a top tier producer on the ASX that shall be uniquely positioned with existing low-cost oil and gas production, current EBIDTA of approximately C\$11 million, and a substantial audited reserve base underpinning future growth.

Additional details will be made available as we progress the transaction and lodge the Prospectus with relevant Australian authorities.

This announcement is authorised for market release by Hawkley's Board of Directors.

**For more information, please contact:**

Cosimo Damiano  
Executive Director  
Hawkley Oil & Gas Limited  
Ph: 03 8679 2219  
www.hawkleyoilandgas.com  
information@hawkleyoilandgas.com

## **Glossary**

“BCFG” is defined as billions of cubic feet of natural gas.

“boe” is defined as barrel of oil equivalent, using the ratio of 6 mcf of Natural Gas to 1 bbl of Crude Oil. This is based on energy conversion and does not reflect the current economic difference between the value of 1 MCF of Natural Gas and 1 bbl of Crude Oil.

“BOEPD” is defined as barrels of oil equivalent per day.

“BOPD” is defined as barrels of oil per day.

“EUR” defined as estimated ultimate recovery.

“NPV10” is defined as the discounted Net Revenues of the Company’s reserves using a 10% discount factor.

“m” or “M” is defined as a thousand.

“mm” or “MM” are defined as a million.

“mmbbl” or MMBBL is defined as million barrels of oil.

“mboe” or “MBOE” is defined as a thousand barrels of oil equivalent.

“mmboe” or “MMBOE” is defined as a million barrels of oil equivalent.

“NRI” is defined as Net Revenue Interest

Reserves are estimated in Canadian dollars.

“1P Reserves” or “Proved Reserves” are defined as Reserves which have a 90% probability that the quantities actually recovered will equal or exceed the estimate.

“PUDs” or “Proved Undeveloped Reserves” and “PDP” and “Proved Developed Producing” are defined as Proved developed and Undeveloped Reserves which have a 90% probability that the quantities actually recovered will equal or exceed the estimate (respectively).

“2P” or “Total Proved plus Probable Reserves” are defined as Reserves which have a 50% probability that the quantities actually recovered will equal or exceed the estimate.

“3P” or “Total Proved plus Probable plus Possible Reserves” are defined as Reserves which have a 10% probability that the quantities actually recovered will equal or exceed the estimate.

“Rf” is defined as Recovery Factor.

“R/P” is defined as Reserves-to-Production.

“WI” is defined as Working Interest.

Y/E is defined as Year End December 31, 2021