**Hawkley Oil and Gas Limited**

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*Directors*

**Joseph Naemi**
Independent Non-Executive Chair

**Cosimo Damiano**
Executive Director

**Murray Wylie**
Non-Executive Director and Company Secretary

**Continuous Disclosure Announcement – 8 September 2021**

## Plan of Arrangement executed to merge with a Canadian oil and gas producer

Hawkley Oil & Gas Limited ("Hawkley" or "the Company") is pleased to announce that it has entered into a Plan of Arrangement (the "Merger") with Persist Oil and Gas Inc. ("Persist") a private oil and gas company in Alberta, Canada.

- Hawkley has agreed to merge with Persist Oil and Gas Inc. ("Persist" or the "Operator"), a private Calgary based conventional oil and gas development and production company, with existing production of 2,900 BOEPD (35:65 oil to gas ratio), certified Total Proven & Probable ("2P") reserves of 13.2 MMBOE, and existing EBITDA of C$11.0 million.
- Under the terms of the Merger, Hawkley has agreed to pay an enterprise value of approximately C$32.0 million inclusive of equity, net debt and working capital adjustments. The equity component consideration is approximately C$14.2 million, which will be satisfied by issuing Hawkley shares, upon Hawkley being reinstated on the Australian Stock Exchange ("ASX").
- Persist land position comprises of 156,500 acres across four producing fields with an average working interest of 82% and net revenue interest of 79%. As Operator of the fields, Persist management team have been operating oil and gas fields in Alberta for over two decades, and have intimate local knowledge of the geology, operating conditions and regulatory environment.
- Significant Lease Operating Expense ("LOE") reductions have been implemented by Persist since it assumed operatorship, through increased production volumes, field efficiencies and operating costs reductions. It is estimated that LOE's are below C$15 barrel.
- The transaction places the merged entity in a unique position to take advantage of any increases in oil and gas prices, further field productivity gains and reserves growth, while limiting exposure to the downside. As a result, shareholders of the merged entity could expect several value creation milestones post-closing relating to increases in production rates and corresponding increases in field revenues and cash flow.
- The initial focus will be on substantially increasing production levels with the potential to double production to about 5,800 BOEPD by the end of 2022. Persist has identified numerous production enhancement and associated development drilling opportunities. Importantly, the fields have the necessary land access rights, drilling permits and extensive infrastructure to support the Company's robust growth trajectory.
- The Merger is subject to certain conditions that include, but are not limited to, Hawkley seeking Australian Stock Exchange relisting approval, Hawkley share consolidation, Board & Management changes, Persist shareholder approval and Hawkley undertaking and a minimum capital raising of A$8.0 million before costs.

**Comments**

Hawkley Oil & Gas Limited (“Hawkley” or “the Company”) is pleased to announce that it has entered into a Plan of Arrangement (the “Merger”) with Persist Oil and Gas Inc. (“Persist”) a private company that owns four producing oil and gas fields in Alberta, Canada.

Hawkley’s merger with Persist is a strategic shift towards transforming Hawkley into a Canadian conventional oil and gas producer, focused on building a material cash flow from a producing asset base with the potential for significant growth.

The acquisition secures existing low cost producing assets, production enhancement and associated development drilling potential, as well as an extensive acreage position for exploration & appraisal, and most notably; all the requisite infrastructure, which has the excess capacity to process much greater volumes of oil & gas. The fields are operated by Persist, which owns an average 89% working interest in the oil and gas fields and associated strategic infrastructure with estimated replacement value of greater than C$50.0 million.

Persist’s operations comprise of 2,900 BOEPD (35% liquids) with 2P reserves of 13.2 MMBOE, 1P reserves of 7.7 MMBOE and PDP reserves of 5.5 MMBOE. The Persist management team have identified a development program which is anticipated to double production to 5,800 BOEPD by December 2022 from independently certified proven undeveloped (PUD) drilling locations. It is important to note these PUD locations aren’t exploration targets but rather identified wells targeting proved, productive, and undrained reservoirs within Persist’s existing and partially developed acreage.

The Merger with Persist represents a compelling investment opportunity; Persist already has economic low-cost production with numerous low-risk well recompletion and development drilling opportunities, as well as ample infrastructure capacity. The current production and future development opportunities exist in proven reservoirs between 4,900 to 9,800 feet containing 30 - 44 degree API oil. The fields contain a large independently assessed undeveloped reserve potential, and a relatively significant acreage position of about 128,000 net acres. The economics of the field are enhanced by recent operating cost reductions, no requirement of material infrastructure spending in the foreseeable future and modest well decline rates (8-12% per annum).

This acquisition provides an excellent platform from which the combined entity can rapidly grow its production and reserves as industry conditions improve while also being able to access capital markets as necessary to accelerate that growth. Given demand for hydrocarbons are forecast to increase in the near future whilst industry wide capital expenditure has been dramatically curtailed during the past five years, resulting in a decline in reserves replacement ratios throughout the non-OPEC oil producing regions, oil and natural gas prices should see continued support.

The combined entity’s anticipated cash flow from the workover program, can be used for further development and appraisal activities and other projects that are currently under review. The location of the current asset portfolio, being adjacent to numerous oil discoveries, provides opportunities for growth through acquisitions within its core areas and potentially larger opportunities in other productive areas of the basin.

The existing Hawkley Board considers the proposed transaction to be a transformational event for the Company. The Merger provides shareholders of the combined entity with immediate production and cash flow, low-cost reserves that have been certified by Sproule (one of the most respected global firms in independent reserves reporting), a genuine opportunity for reserves & production growth, and an outstanding profile that should in the ordinary course of business lead to capital appreciation as the merged entity achieves its ambitions.

During due diligence, Hawkley was extremely impressed with the quality of the assets and the credentials of Persist's management team; not only as the operator, but also their solid capability to implement the combined entity's business plan and strategic objectives. Persist has accomplished significant productivity gains and cost efficiencies, leveraging the depth and breadth of its management team's experience from the successful optimisation of adjacent fields, which are in analogous reservoir settings. A significant percentage of the productivity gains and cost reductions are sustainable in the long term, thereby providing an excellent foundation from which, the merged entity can pursue a multi-well inventory of proven undeveloped drilling locations.

**Transaction Summary**

Hawkley and Persist have agreed to merge and relist Hawkley on the Australian Stock Exchange ("ASX") late 4Q 2021. Under the terms of the Merger, the transaction is valued at C$32.2 million including an anticipated net debt position of approximately C$18.0 million.

Hawkley will satisfy the equity component of C$14.2 million in Hawkley ordinary shares on its re-admission to the ASX, which is anticipated in late 4Q-2021. Upon completion of the transaction, Persist's shareholders will hold about 58% of the combined entity, assuming the minimum equity capital raise of A$8.0 million.

The acquisition is subject to a number of conditions, including obtaining shareholder approval and ASX re-admission. In connection with the proposed acquisition and subject to obtaining relevant shareholder approvals, the Company intends to:

(a) Raise a minimum of A$500,000 interim funding via convertible notes to be issued to sophisticated and professional investors;

(b) consolidate its securities on a 1 for 20 basis ("Consolidation");

(c) raise A$8.0 million-A$11.75 million of equity capital before costs, through a public offer ("IPO");

(d) appoint two nominees from Persist to the board of the Company upon completion of the Merger;

(e) obtain re-admission to the ASX upon completion of IPO; and

(f) seek a name change to Lumira Energy Limited.

A summary of Persist's certified reserves effective June 30, 2021 are as follows:

| Sproule Reserves Report | Liquids | Natural Gas | Total |
|---|---|---|---|
| June 30, 2021 | MBBL | BCFG | MBOE(1) |
| Proven Developed Producing | 1,998.1 | 21,344 | 5,555.4 |
| Total Proven (1P) | 3,304.2 | 26,890 | 7,785.9 |
| Probable | 2,294.2 | 18,840 | 5,434.2 |
| **Total Proven & Probable (2P)** | **5,598.4** | **45,730** | **13,220.1** |

(1) Conversion ratio defined as barrel of oil equivalent, using the ratio of 6 mcf of Natural Gas to 1 bbl of Crude Oil

**Capital Raising and Indicative Capital Structure**

Hawkley plans to undertake an equity capital raising for a minimum of A$8.0 million (maximum A$11.75 million) before costs, through the issue of fully paid ordinary shares pursuant to an IPO prospectus at A$0.20 per share, with further details to be provided once finalised.

Funds raised will be used to finance the development drilling of up to 10 new wells in order to potentially double production by the end of 2022 to approximately 5,800 BOEPD.

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

| Indicative Capital Structure | Minimum Subscription | | Maximum Subscription | |
|---|---|---|---|---|
| | Shares | Options | Shares | Options |
| Currently on issue(1) | 88,711,653 | 12,875,000 | 88,711,653 | 12,875,000 |
| Post-Consolidation (1:20) | 4,435,583 | 643,750 | 4,435,583 | 643,750 |
| Interim Funding Convertible Notes(2) | 10,000,000 | Nil | 10,000,000 | Nil |
| Issued to Persist Shareholders (3) | 76,685,572 | 7,668,557(4) | 76,685,572 | 7,668,557(4) |
| Advisor & Broker Shares | 1,000,000(5) | 500,000(6) | 1,000,000(5) | 500,000(6) |
| Past Directors Shares(7) | 375,000 | Nil | 375,000 | Nil |
| Public Offer | 40,000,000(8) | Nil | 58,750,000(9) | Nil |
| **Total (post-Consolidation)** | **132,496,154** | **8,812,307** | **151,246,154** | **8,812,307** |
| **Performance Shares(10)** | **12,000,000** | **Nil** | **12,000,000** | **Nil** |

(1) Current Hawkley shares outstanding as at June 30, 2021
(2) Convertible note of A$500,000 converting at A$0.05 per share at IPO listing
(3) Consideration is based on **C$1.02** per share and share ratio of 5.48387
(4) Options issued on a 1:10 basis; exercise price of A$0.30 per share and 3 year expiry from date of ASX admission
(5) As part of the transaction and capital raise Hawkley intends to issue 1.0 million Advisor (500,000) & Broker (500,000) shares at A$0.20 per share
(6) As part of the capital raise Hawkley intends to issue 500,000 Options to Brokers with an exercise price of A$0.30 per share and 3-year expiry from date of ASX admission
(7) Outstanding past Director fees of A$75,000 are being settled in shares at A$0.20 per share upon ASX relisting
(8) Minimum of A$8.0 million at A$0.20 per share
(9) Maximum of A$11.75 million at A$0.20 per share
(10) Performance shares issued to merged entity Management vesting in three equal tranches as follows:
   a. Comprising 4,000,000 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 4,000,000 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 4,000,000 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])

## Proposed Board Composition and Management

It is proposed that at the completion of the Merger, the board of directors of the Merged ASX listed entity will comprise of existing directors Joseph Naemi, Cosimo Damiano and Murray Wylie. Mr Wylie has agreed to assist Hawkley through its relisting process with the ASX and has indicated his preference to step down from Hawkley when a suitable candidate is identified to replace Mr Wylie on the merged entity's Board.

Upon completion of the Merger, Persist will nominate two additional directors, one of which shall be Mr Massimo Geremia as Managing Director. Mr. Geremia is currently a founder, President, Chief Executive Officer, and a Director of Persist.

The management team of the Merged entity will include the following key personnel:

### Massimo Geremia, Managing Director

Mr. Geremia has over 30 years of business experience in multiple industries including the oil and natural gas, real estate and finance industries. He was a founder and the President & CEO of Manitok Energy Inc., a public company listed on the Toronto Venture Exchange. Over an 8-year period from 2010 to early 2018, Manitok grew from an initial production rate of 200 BOEPD to a peak production rate of over 7,000 BOEPD in 2016. In east central Alberta, Manitok developed a heavy oil asset from zero to over 450 bbl/d before selling it in 2013, a Cardium light oil field in west central Alberta from 100 BOEPD to over 7,000 BOEPD at its peak field level in 2014, and a southeast Alberta Mannville light oil play from zero production to a peak of 3,700 BOEPD in 2016.

### Brad Golinowski, Chief Operating Officer

Mr. Golinowski has more than 16 years of experience in the oil and gas industry and over 11 years of leadership roles with multiple private oil and gas production companies. Mr. Golinowski was the Chief Operating Officer for Wyatt Oil & Gas Inc., which was sold to Spartan Energy in 2016. Prior to Wyatt, he held the role of VP Engineering for two private oil and gas companies that were sold in 2009 and 2014.

He founded and was President of Rearden Well Servicing, a southeast Saskatchewan service rig company, which was sold in 2014. Mr. Golinowski is a graduate of the University of Alberta with a Petroleum Engineering degree and is a member of APEGA.

### Danny Geremia, Chief Financial Officer

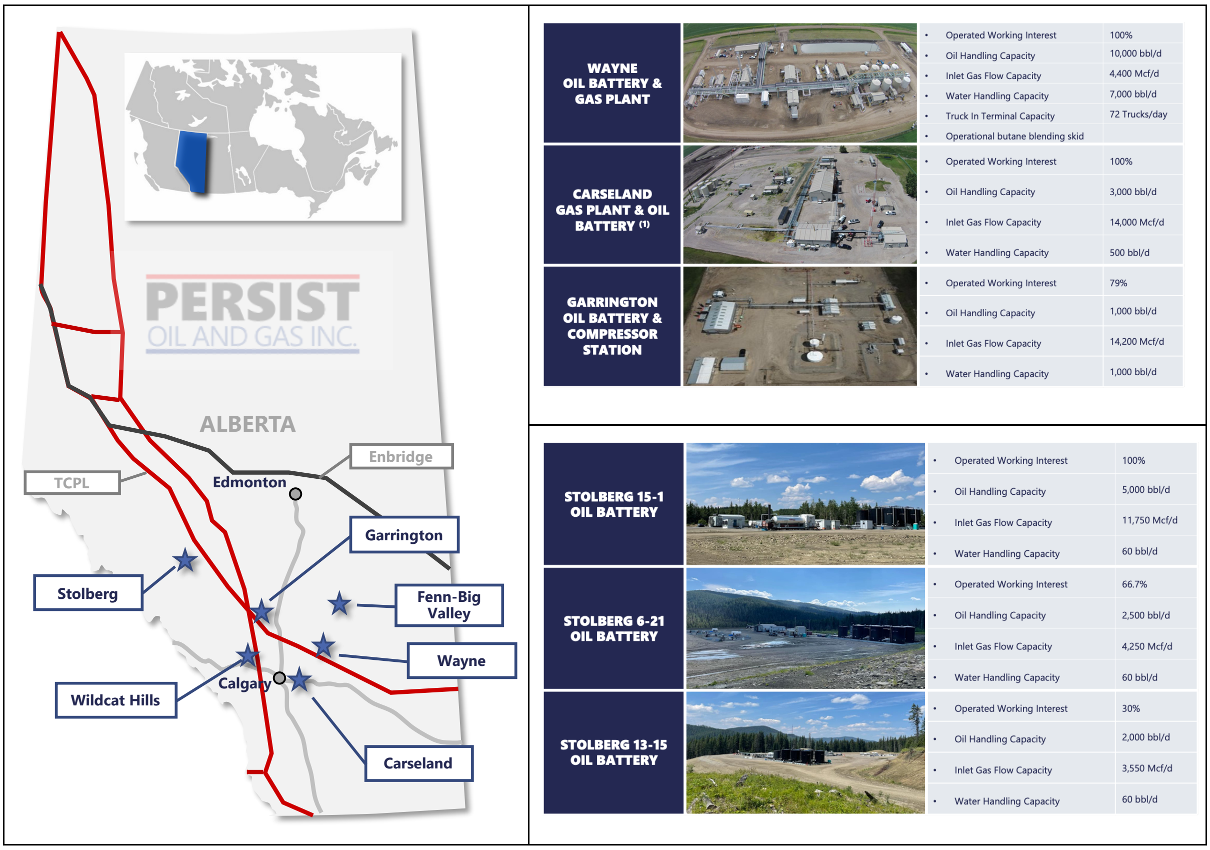
Mr. Geremia is a Chartered Accountant and has more than 20 years of experience in the oil and natural gas industry. Mr. Geremia was the Vice-President and Chief Financial Officer of Insignia Energy Inc., a public oil and gas company from August 2009 to July 2013 and a private corporation from July 2013 to August 2017 when the company was sold. Prior to Insignia, Mr. Geremia served as Vice President and Chief Financial Officer of both Mission Oil & Gas Inc and Bellamont Exploration Ltd, and as the Treasurer of ARC Resources Ltd. All were public oil and gas companies. Mr. Geremia was previously a Chartered Accountant with KPMG LLP where he received the Francis G Winspear Gold medal of Excellence in 1998 for having the highest mark in Alberta on the UFE. Mr. Geremia received his Bachelor of Commerce degree from the University of Calgary

### Greg Vavra, Vice President Land & Legal

Mr. Vavra is a lawyer with over thirty 30 years of experience in the oil and gas industry. After graduating from the University of Calgary with a Finance degree in 1983, he played five seasons in the Canadian Football League while learning the land side of the oil and gas industry in the off-season with a TSX listed company, Pacific Cassiar Limited ("Pacific Cassiar").

Upon retiring from football, Mr. Vavra went back to the University of Calgary and graduated with a Law degree in 1993. After articling and becoming admitted to the Alberta Bar, he joined Pacific Cassiar as Vice President where he focused primarily on corporate governance, finance and land. Pacific Cassiar was sold in 2000 to NCE Petrofund. In 2001, Mr. Vavra founded Raimount Energy Inc. ("Raimount") where he served as President and CEO. Raimount was listed on the TSXV for fifteen years before being amalgamated with Manitok Energy Inc. in 2016. While at Raimount, Mr. Vavra gathered additional experience with Canadian public reporting requirements, corporate finance and managing a mid-sized, freehold based, land department.

**Location Map of Persist's fields and infrastructure**




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$11.0 million, and a substantial audited reserve base underpinning future growth.

Additional details will be made available as we progress the transaction.

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

**For more information, please contact:**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## 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