



## ALEATOR ENERGY — LIMITED —

### QUARTERLY ACTIVITY REPORT TO 30 June 2012

- **Appointment of DR John Armstrong as new Board Chairman**
- **Appointment of Mr Mark Rowbottam as Non-Executive Director**
- **Povorotnoye Oil and Gas Project – September Spud**
- **Share Placement**

The Company's focus during the past quarter has involved input to new Board appointments and preparations for the new oil and gas exploration project, the Povorotnoye Gas Field on the Kerch Peninsula in the region of Crimea, Ukraine. The Company has a 62.1% beneficial interest in the project. Operational management of the field is conducted under a Joint Activity Agreement with the license holder, Crymgeologia, the State body controlling oil and gas operations in Crimea.



This is an important project for the Company with a successful outcome leading to a gas (and possibly oil) production project. If the first well tests gas at a commercial rate, then early production and revenue would be targeted within the next 12 months. There is a gas plant 10km away with spare capacity and this plant in turn is connected to a nearby gas main line. Ukraine gas has averaged over US\$10 per mcf over the past 12 months and is currently priced between US\$11-12 per mcf.

#### **APPOINTMENT OF DR JOHN ARMSTRONG AS NON-EXECUTIVE CHAIRMAN TO THE BOARD**

During the quarter, Dr John Armstrong was appointed as Non-Executive Chairman to the Company's Board.

Dr Armstrong has had a 40 year career in the upstream oil and gas industry including 9 years with UNOCAL in South East Asia and over 20 years in senior management roles at Santos.

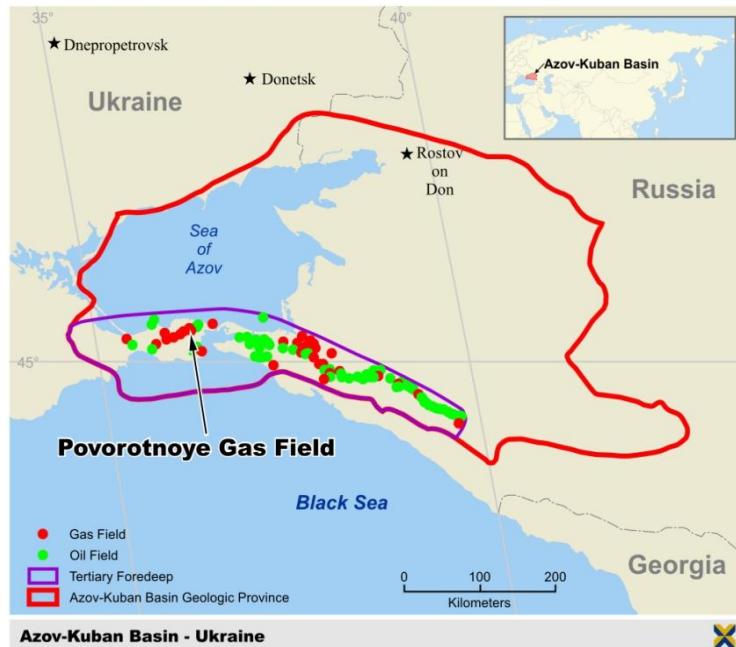
Also, the Company appointed Mr. Mark Rowbottam as a non-executive Director.

During the quarter, Mr Richard Sciano resigned from his position as Non-Executive Director of the Company.

#### **Dafora 2 Rig Contracted to Drill Pov-105**

## POVOROTNOYE OIL & GAS PROJECT

Throughout Ukraine, in the USSR era, the oil and gas industry discovered and appraised a large number of hydrocarbon fields. With very low gas prices at the time, many fields were marked as uneconomic and were never developed. Enhanced seismic acquisition and interpretation together with modern drilling and production methods can now be applied, which combined with today's gas prices provide the opportunity to unlock "company making" projects.



The Company's Povorotnoye Gas & Oil field is located in an area of producing fields in the southern "Foredeep" section of the hydrocarbon province known as the Azov-Kuban Basin, the boundary of which straddles the eastern Crimean Kerch Peninsula and the western most region of Russia. The "Foredeep" which forms a band along the southern section of the Azov-Kuban Basin is recognized as the most prolific section of the basin for oil and gas discovery and production.

The field could cover an area of some 5,000 acres. One of the old wells (POV-1) in the Company's oil and gas field flowed gas at the maximum rate of 7 mmcf/gpd

with some condensate through a 20/64" choke with a shut-in surface pressure of 5,100 psi. The stabilised flow was 5.1 mmcf/gpd. The gas is from the M-3 sandstone reservoir (gross thickness 18m) at a depth of 3,900m where the formation pressure is 11,000 psi.

A nearby well in the field (POV-2, two km from the POV-1 well) had a gas flow estimated to be 17 mmcf/gpd probably from the same M-3 reservoir, and in other wells this reservoir have a gross thickness of up to 50m.

There are 2 other zones of potential interest in the POV-2 well. This well is leaking oil that is thought to originate from a shallow depth. A quantity of oil was produced from a zone at 840m in the well. Wells in a nearby field produce oil from shallow reservoirs at initial rates of about 150 bopd. Secondly, in the POV-2 well significantly increased gas shows were reported during drilling a 700m interval from 2,700 to 3,400m. This zone can be recognised on the logs from the well as anomalous.

Highly respected technical consultants, AWT International are engaged in assisting with the management of preparatory aspects and will conduct the "In Country Management" role throughout the operational phase of drilling and completion of the POV-105 well.

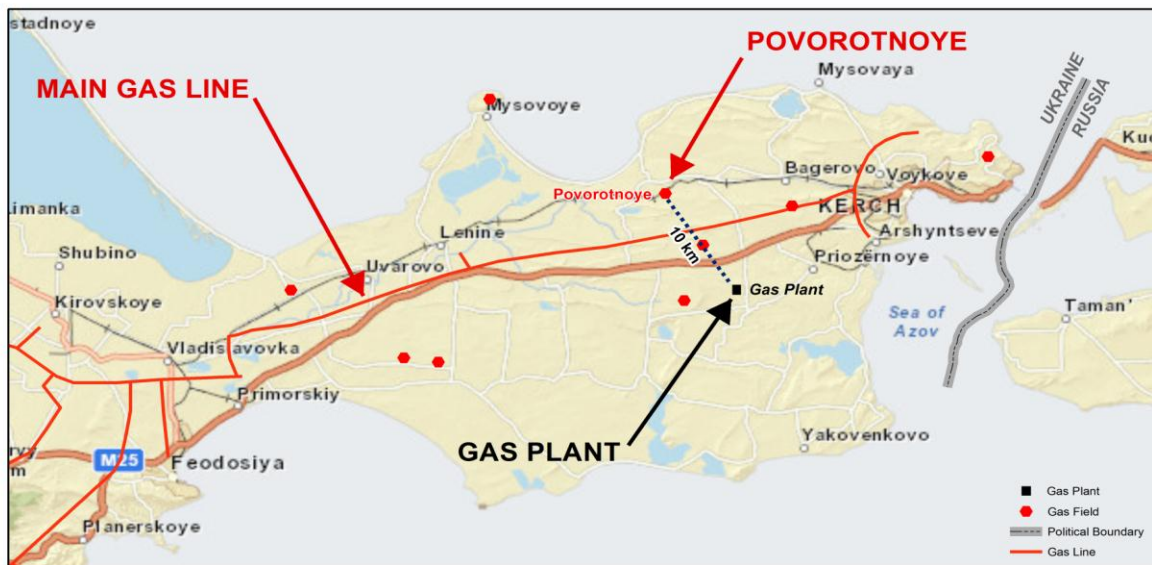
Aleator Energy expects to sign a drilling contract in the next few days with the SC Dafora drilling company to provide the rig and drill the well. SC Dafora is a Romanian based company, with a subsidiary in Ukraine, which has experience with drilling wells in the local area and elsewhere in Europe.

The new well (Pov-105) which the Company is expecting to spud in the field by the end of September will twin the well which flowed 7 mmcf/gpd and which is 2km from the well which is leaking oil. POV-105 will be engineered and electric logged to investigate the secondary objectives – the potentially shallow oil, and the 700m of gas shows at about 3,000m depth, as

well as the primary objective - the known deep gas reservoirs. The well is expected to take 60 to 90 days to drill and run electric logs, with production casing and testing programmes to follow.



**POV- 2 showing Oil Seepage**



***Povorotnoye Oil & Gas Exploration Project on the Kerch Peninsula, Crimea, Ukraine***

### **GOLDEN EAGLE GAS FIELD**

The Golden Eagle gas field was discovered by Aleator Energy Ltd in 2006 with drilling the first of three Paradox Basin wells, Paradox Basin #1. The field is a large structure with multiple objectives within Pennsylvanian and Mississippian aged strata.

Two other the wells on the Golden Eagle Field have been drilled on the field and it is planned to complete a full review of the project in the next few months to assess how the Company should proceed.

An application was lodged in late 2011 to re-unitize the field and subsequently designation of the new Golden Eagle 70 II Unit was received in March this year. Final approval of the Unit is expected as a matter of course when the administrative aspects are completed and necessary documents are executed.

#### **JOHNSTON RANGE**

Iron Ore Royalties: Aleator Energy has an agreement with Cliffs Asia Pacific Iron Ore Pty Ltd ("Cliffs") with respect to its previously owned Johnston Range Iron Ore tenements in the Yilgarn region of Western Australia. Cliffs will pay Golden State a gross royalty of 2% on the iron ore sales from the tenements as well as a 2% gross royalty on the sale of all other minerals. Mining is scheduled to commence in 2014.

#### **RAISING \$6 MILLION**

Aleator Energy raised \$6 million by way of a placement of shares in two tranches at an issue price of \$0.018 per share.

The first tranche was under the Company 15% capacity issuing 150,000,000 shares. The second tranche was 183,333,333 shares, which was issued subject to shareholder approval and was approved at a shareholder meeting. The placement was managed through CPS Securities ("**CPS**"). A free listed option was attached to each share issued.

The placement was heavily oversubscribed and is a significant milestone for the Company to advance its strategy under the new Board, to deliver shareholder value through its Povorotnoye project.

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***"Technical information contained in this announcement was approved by Aleator Energy's CEO, Wal Muir, who has had more than 33 years experience in the practice of petroleum exploration. Wal Muir consents to the inclusion in this announcement of the information in the form and context in which it appears.***

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