



**ASX / Media Release:**

12 March 2014

## **COMPANY UPDATE**

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- **Povorotnoye project suspended until geopolitical situation stabilises**
  - **Aleator staff, assets and capability safe and secure**
  - **Povorotnoye funding update**
  - **Golden Eagle receives BLM approval**
  - **Aleator's short term focus to be on completing assessment of US assets in conjunction with potential new acquisitions**
  - **Convertible note agreement with a total value of up to \$5,000,000**
  - **Shareholder rights issue proposed**
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The Directors of Aleator Energy Limited ("Aleator" or "the Company") (ASX: AWD) are pleased to provide shareholders with a full update of recent activities and the Company's plans moving forward.

### **Povorotnoye Update**

The Directors advise that due to the current situation in Ukraine and in particular the autonomous republic of Crimea, the company has no alternative other than to declare Force Majeure on its Povorotnoye Project, placing it on care and maintenance for the foreseeable future.

This is disappointing at the current stage of development, however, the Company feels it has no other alternative than to postpone further work until the resumption of a stable operating environment..

The Company has formally requested confirmation as to its current position from both the Ukrainian and Russian Ambassadors to Australia. Additionally the company has confirmed its desired intention to continue with the project to the local Ukrainian partners and the regulatory authorities, Nadra Krym and Nak Nadra.

Aleator director Gennady Varitsky travelled to Crimea last week to meet with staff and local government and regulatory officials, who provided reassurances that the Company's commercial interests would be upheld.

The Company is in regular contact with the staff of our local subsidiary in Crimea, and can confirm that all personnel are safe and able to continue with day to day activities. We can also confirm that the Company's assets remain secure which is the current focus of local staff.

The cost to maintain our Ukraine office and good standing status of the JAA under the current circumstance is expected to be minimal due to the low level of activity.

### **Povorotnoye Project Funding Update**

The Company has been making substantial progress towards completing project finance for the Povorotnoye project, and subject to Crimea and Ukraine returning to a stable environment, believes that it will be able to conclude a financing package to drill Pov-105.

The Company and Gres have been working together to improve the structure of the finance facility that Gres has offered to convert the facility into a conventional cash loan agreement that can be drawn down over four tranches. These changes will remove the issues related to bank guarantees and provide a standard loan facility that should be able to be drawn upon without undue procedural delays.

Aleator has also been in ongoing discussions with an Asian based investment fund that has completed substantial due diligence on the Company and the Povorotnoye project, including site visits to the Perth office in September 2013 and Ukraine in January 2014. The fund has recently confirmed in writing their ongoing interest to make a strategic equity investment into Aleator and to provide project finance to develop the Povorotnoye project. This interest is subject to the fund being satisfied with the stabilisation of Ukraine and specifically Crimea region, where the Company's Povorotnoye project is located. The fund has agreed to continually review the opportunity on a regular basis over the next 4 to 6 months.

Since the escalation of tensions in Crimea and the uncertainty of progressing the Povorotnoye project, the Company has held discussions with both potential financiers to include the Golden Eagle project in any funding package. These discussions are ongoing.

### **Golden Eagle Project**

Aleator is very pleased to advise that the Company has recently received formal confirmation from the US Bureau of Land Management (BLM) that two existing production capable wells may be utilised to hold the new Golden Eagle 70 II Unit by production. Leases which are held by production to a Unit will normally extend the individual expiry dates to two years beyond the life of the Unit. The Golden Eagle 70 II Unit has a current expiry date of 05 December 2017 and the individual leases should now have a tenure until 05 December 2019.

Now that this formal confirmation has been received and the tenure of Golden Eagle is secured, the Company can conduct an assessment of geological data and past operations to determine the ongoing prospectivity of the project and how this may best be translated into increasing shareholder value. While the timing of this assessment has been driven by the formal confirmation being received from the BLM, it is supported by expressions of interest in the project being received from third parties and the recent increase in US gas prices.

## **Additional Projects**

The Company also intends to actively seek investments in new assets, with a view to driving shareholder value.

## **Convertible Note Agreement**

Aleator are pleased to announce that the Company has signed a Convertible Note Agreement with an Australian based institutional investor. The Investor has agreed to invest up to \$5,000,000 in the Company through a series of convertible notes. These funds will be used by the Company to maintain the Povorotnoye Project in Crimea, Ukraine until such time as the geopolitical situation in Crimea is resolved. The Company will also apply these funds to the assessment of the Golden Eagle Gas Project in Utah, USA.

The Company has been advanced an initial amount of \$250,000 under the Convertible Note Agreement and further draw downs are available, subject to the terms of the agreement.

The material terms of the Convertible Note Agreement are set out in the Schedule to this announcement.

## **Shareholder Rights Issue**

In addition to the Convertible Notes facility, the Directors also propose a shareholder rights issue to raise up to \$2 million so that all shareholders have an opportunity to maintain their respective level of investment in the Company. The details of the rights issue are under consideration and will be released when finalised.

On completion of the rights issue (and conversion of some existing debts into shares), the Company will be debt free and should have sufficient working capital to meet its mandatory expenditure commitments for the balance of the calendar year.

Until such time as the geopolitical situation in Ukraine resolves itself, the Company intends to effectively place its Ukraine operations on 'care and maintenance' and to review all overheads to preserve cash.

Following this announcement the Company will request the Company's securities be reinstated to trading on the ASX.

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## **ABOUT ALEATOR ENERGY**

*Aleator Energy Limited is an active explorer for oil and gas with international operations based in Ukraine and the United States. The Company also retains mineral royalties in Australia.*

***The Povorotnoye Gas and Condensate Field*** in the Autonomous Region of Crimea, Ukraine, is part of the very attractive East European oil and gas rich sector. The project is located in the prolific "Foredeep" sector of the Azov Kuban Basin which straddles the highly productive gas and oil fields of the most western oil region in Russia and the eastern Crimean peninsula.

***The Golden Eagle Gas Field*** in Grand County Utah, USA, is located in the northern part of the Paradox Basin.

## SCHEDULE: CONVERTIBLE NOTES AGREEMENT MATERIAL TERMS

- Total Principal amount of up to \$5,000,000;
- Convertible notes with a face value of \$1.00 in tranches of A\$250,000 per month with all issues after the first month at the mutual consent of the Company and the Investor. Amounts of greater than \$250,000 can be drawn subject to 14 days notice and mutual consent;
- Maturity Date is 12 months from the Issue Date of each series of Convertible Notes;
- Interest shall be payable on outstanding unconverted Convertible Notes at the rate of 12% per annum, payable quarterly in arrears;
- If the Convertible Note has not been converted and is not fully repaid on the Maturity Date in cash, the Company must repay the outstanding amount plus interest in 20 equal payments by way of issue of Shares at a 20% discount to the five day VWAP;
- The Investor will agree not to sell more than a) 15% of the daily trading volume or, b) 10% of the total conversion amount in any one day, unless mutually agreed. The Investor will also agree not to convert more than 15% of the initial note amount in any one conversion and a maximum conversion amount of one per week, unless mutually agreed;
- Conversion will be at a 20% discount to the five day VWAP preceding the receipt of the conversion notice.
- The Company will seek any necessary regulatory or shareholder approval from its shareholders and any conversions shall be subject to the approvals being granted.
- The Company will seek the reinstatement of its securities to trading on the ASX within 3 days of the Closing Date.
- The Company has agreed to issue the Investor (or its designee) the following securities as a fee:
  - Tranche 1: 30,000,000 shares and options upon signing the binding agreement;
  - Tranche 2: 20,000,000 shares and options upon the purchase of over \$1 million of Convertible Notes;
  - Tranche 3: 10,000,000 shares and options upon the purchase of over \$1.5 million of convertible Notes.
- The Investor and any of its affiliates will not engage in any short sales with respect to the Shares during the term of the Convertible Notes.
- The Company and the Investor may terminate the agreement at any time by mutual consent without penalty.