

ALEATOR ENERGY LIMITED
ACN 063 074 635

PROSPECTUS

For the offer 10,000 fully paid ordinary Shares in the capital of the Company at an issue price of \$0.001 cent per Share to raise up to approximately \$10 (before expenses).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered under this Prospectus should be considered speculative.

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1. SUMMARY OF IMPORTANT DATES, IMPORTANT NOTES AND RISK FACTORS

1.1 Timetable and important dates*

| Action | Date |
|---|---------------------------|
| Lodgement of Prospectus with the ASIC and ASX | 27 May 2014 |
| Opening Date | 27 May 2014 |
| Closing Date | 5:00pm WST on 28 May 2014 |

*The Company reserves the right to extend the Closing Date or close the Offer early without notice, in its absolute discretion.

1.2 Important Notes

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers. The Shares the subject of this Prospectus should be considered highly speculative.

This Prospectus is dated 27 May 2014 (**Prospectus**) and a copy of this Prospectus was lodged with the ASIC on that date.

The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Shares will be allotted or issued on the basis of this Prospectus after the expiry date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

1.3 Company Specific Risk Factors

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

The Shares offered by this Prospectus should be considered speculative. The Shares offered by this Prospectus carry no guarantee whatsoever with respect to return on capital investment, payment of dividends or the future value of the Shares. Intending investors should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for Shares. Investors should carefully consider these factors in light of personal circumstances (including financial and taxation issues) and seek professional advice from an accountant, stockbroker, lawyer or other professional adviser before deciding whether to apply for Shares.

There are numerous widespread risks associated with investing in any form of business and with investing in the share market generally. There is also a range of specific risks associated with the Company's business and its involvement in the hydrocarbon / on-shore oil and natural gas exploration and extraction industry. These risk factors are largely beyond the control of the Company and its Directors because of the nature of the proposed business of the Company. The following summary, which is not exhaustive, represents some of the major risk factors which may materially affect the financial performance of the Company and the market price of the Shares and Shares, and which potential investors need to be aware of.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 6 of this Prospectus.

Availability of Debt Financing

As previously announced to ASX, the Company has entered into a financing agreement with Gres Holding Limited (**Gres**) to provide a loan of up to US\$20 million to the Company which is intended to be utilised to drill the first well in the Company's Povorotnoye gas and condensate field in Crimea (Well). Gres continues to monitor the impact of the political situation in Crimea and the impact on operational matters in the region where the Povorotnoye project is located. Gres has indicated that, on resolution of the political situation, it is willing to conclude the existing financing agreement.

The Company has also received a signed non-binding letter of intent with from an Asian based investment fund to take a strategic stake in the Company and provide funds to drill the Pov 105 well. This fund has completed due diligence and continues to assess the impact of the political situation in Crimea and the impact on operational matters in the region where the Povorotnoye project is located. This party has indicated that on resolution of the political situation, it remains interested in taking a strategic investment in the Company and providing finance drill the Pov-105 well.

These finance facilities are critical to the Company's ability to finance the well.

Should both the finance sources, the subject of above mentioned agreements not materialise, this would materially adversely affect the Company's ability to finance drilling of the Well. In this circumstance, the Company would need to seek alternate financing (debt or equity) and it is not known whether the Company would be able to secure finance on favourable terms or at all.

Annexation of Crimea by the Russian Federation

On 12 March 2014, the Directors advised that due to the current geo-political situation and political unrest in the Crimea, it has declared force majeure on its Povorotnoye project. The confirmation of tenure of the Company's rights in respect to the Povorotnoye project and the resumption of a normal operating environment is required before the Company is able to resume any activity on the Povorotnoye project. The Company has requested confirmation of the current position from the First Deputy Prime Minister of Crimea and the Ukrainian and Russian Ambassadors to Australia and confirmed our desired intention to continue with the project to our local partners and the regulatory authorities.

In mid-March 2014, Crimea, where the Povorotnoye Field is located, was annexed into the Russian Federation. The full implications to the tenure and future operating status of the license and the security of the physical assets is uncertain. The Company cannot be assured that the Povorotnoye licence conditions will be upheld or if the licence itself will be under threat.

Resolution of the geo-political situation in Crimea and Ukraine, and that Aleator's commercial interests be upheld is critical to the Company's ability to drill the well and maintain tenure generally in relation to the Povorotnoye licence.

Changes in Legislation and Government Regulation

Changes to legislation or government policy in Crimea, the Federation of Russia, Australia and the United States, including changes to the taxation system, may affect future earnings and the relative attractiveness of investing in the Company.

Foreign Exchange Risk

The Company has business undertakings based in the United States and Crimea. As a result, revenues, cash flows, expenses, capital expenditure and commitments will be primarily denominated in United States dollars, Ukrainian Hryvnia, or in the future, the Russian Rouble.

To comply with Australian reporting requirements, the income, expenditure and cash flows from the Company's interest in its US and Ukrainian properties will need to be accounted for in Australian dollars. This will result in the income, expenditure and cash flows of the Company being exposed to the fluctuations and volatility of the price of oil and gas and the exchange rates, as determined in international markets.

Gas Price Volatility

The demand for, and price of, natural gas is dependent on a variety of factors, including supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic political

developments. As a result of Russia's recent annexation of Crimea there is also uncertainty over the extent of Russia's control over pricing and approval of markets, which may have adverse financial consequences to the Company.

Risks Associated with operating in Crimea

The Company has a significant project located in Crimea, and the Company is subject to the risks associated with operating in that country which has recently been annexed by the Russian Federation. Such risks can include economic, social, security or political instability or change, hyperinflation, currency non convertibility or instability and changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, repatriation of income or return of capital, environmental protection, labour relations as well as government control over exploration and producing properties or government regulations.

Changes to Crimea's fiscal regime for oil and gas companies or investment policies and legislation or a shift in political attitude, due to Crimea's recent annexation by Russia, may adversely affect the Company's operations and profitability.

Crimea Legal Environment

Without pre-empting further changes to the current political scenario of Russia's annexation of Crimea, it is not possible for the Company to properly outline the risks presented by the current Crimean legal environment whilst political uncertainty continues, other than to propose that the legal system in Crimea may evolve or change to comply to the legal system of the Russian Federation, as a bureaucracy under the announced annexation is established.

Hydrocarbon Reserves and Resource Estimates

Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend on some extent on interpretations, which may prove to be inaccurate, as further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's operations.

Environmental Risks

The Company will be subject to environmental laws and regulations in connection with operations it may pursue in the oil and gas industry. Such operations are currently in the United States and Crimea. The Company intends to conduct its activities in an environmentally responsible manner and in accordance with all applicable laws. However, the Company may be the subject of accidents or unforeseen circumstances that could subject the Company to extensive liability.

Further, the Company may require approval from the relevant authorities before it can undertake activities that are likely to impact the environment. Failure to obtain such approvals will prevent the Company from undertaking its desired activities. The Company is unable to predict the effect of additional environmental laws and regulations that may be adopted in the future,

including whether laws and regulations would materially increase the Company's cost of doing business or affect its operations in any area.

Insurance

Insurance against all risks associated with oil and gas production is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs. However, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Operating Risks

The operations of the Company may be affected by various factors, including failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

Transport and infrastructure risk

The Company's drilling and production activities may be impaired due to inadequate state infrastructure in Crimea. The deterioration of the state gas and oil pipeline in Crimea could disrupt the transportation of goods and supplies and interrupt business operations. In general, Crimea's physical infrastructure, including power generation and transmissions stations, communication systems and road network largely dates back to Soviet times and are relatively poor in comparison with other developed countries. The Ukrainian Government has been implementing plans to develop Crimea's rail, electricity and telephone systems which may result in increased charges or tariffs while failing to generate sufficient funding to repair, maintain or improve these systems. The failures to maintain adequate transport may have a material adverse effect on the Company's business, results of operations or financial condition.

Drilling contract risks

Oil and gas development and exploration activities are dependent on the availability of drilling rigs and related equipment and the provision of third party services in the particular area where such activities will be conducted. Such equipment and services may be in short supply and may not be readily available at the times and places required. Demand for limited equipment such as drilling rigs may affect the availability of such equipment to the Company and may delay its development and exploration activities. Failure by the Company to secure necessary equipment could adversely affect the Company's business, results of operations or financial condition. The failure of a third party provider, or supplier, to perform its contractual obligations, or an inability to achieve a commercially viable contract with a third party provider or supplier would have material adverse impact on the Company's business, the results of operations or financial operation.

Energy demand from Crimea

Whilst Crimea's current need for gas is robust, the economic outlook is uncertain and there can be no assurance that current and anticipated levels of its energy

requirements will in fact be sustained. Should demand for energy and accordingly oil and gas not be sustained, in such circumstances, the Company may need to find alternative markets for certain of its future oil and gas developments. Such markets may not be available or restricted by governing authorities. Even if such markets are available, the costs of accessing such alternative markets may be much higher. Any of these factors may have a material adverse effect on the Company's business, results of operations or financial condition.

Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. The Company may require further financing in the future. Any additional equity financing will dilute shareholdings and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be.

Potential Acquisitions

As part of its business strategy, the Company may make acquisitions of, or significant investments in, complimentary companies or prospects although no such acquisitions or investments are currently planned. Any such transactions will be accompanied by risks commonly encountered in making such acquisitions.

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company and you should refer to the additional risk factors in Section 6 of this Prospectus before deciding whether to apply for Shares pursuant to this Prospectus.

2. CORPORATE DIRECTORY

Directors and Management

Lewis Cross

Non-executive Chairman

Gennady Varitsky

Non-executive Director

Mark Rowbottom

Executive Director

Wal Muir

Chief Executive Officer

Registered Office

Unit 18

40 St Quentin Avenue

CLAREMONT WA 6010

Telephone: + 61 8 9385 0700

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Email:

info@aleatorenergy.com.au

Website:

<http://www.aleatorenergy.com.au>

Solicitors

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

PERTH WA 6000

ASX Code

Shares: AWD

Listed options: AWDO

3. DETAILS OF THE OFFER

3.1 Cleansing Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for 10,000 Shares at an issue price of \$0.001 per Share payable in full on application.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

One of the primary purposes of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date.

Relevantly, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.2 Opening and Closing Dates of the Offer

The Opening Date of the Offer will be 27 May 2014 and the Closing Date will be 28 May 2014 at 5:00pm WST.

The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

3.3 Application for Shares

Applications for Shares must be made using the Application Form accompanying this Prospectus.

Completed Application Forms and accompanying cheques must be mailed or delivered to the Company as follows:

| Delivery by hand | Delivery by post |
|--|---------------------------------|
| Unit 18 40 St Quentin Avenue CLAREMONT WA 6010 | PO Box 216 CLAREMONT WA 6910 |

Cheques should be made payable to “**Aleator Energy Limited – Share Offer Account**” and crossed “**Not Negotiable**”. Completed Application Forms and cheques must reach the address set out above by no later than the Closing Date.

3.4 Minimum subscription

There is no minimum subscription in respect of the Offer.

3.5 Allotment

Allotment of the Shares will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place and each Applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares allotted is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

3.6 Underwriter

The Offer is not underwritten.

3.7 ASX Listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application moneys for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.8 Restrictions on the Distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.9 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHESS for those investors who have a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.10 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder or Optionholder (as applicable), facilitate distribution payments and corporate communications to you as a Shareholder or Optionholder (as applicable) and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth)* (as amended), the *Corporations Act* and certain rules such as the *ASX Settlement Operating Rules*. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

One of the primary purposes of this Prospectus is to remove any trading restrictions that may have attached to Shares issued by the Company pursuant to the Placement prior to the Closing Date (including prior to the date of this Prospectus).

Prior to lodgement of this Prospectus with the ASIC, the Company completed the issue of 31,500,000 Shares in consideration for professional fees and 154,924,244 shares as consideration for short-term loan funds (**Share Issue**). Due to the fact that the Company's shares have been suspended from trading for more than five trading days in the last 12 months, the Company is unable to rely on the exception set out in Section 708A(5) of the Corporations Act to issue a 'cleansing statement'. As a result, the Company needs to rely on the exception set out in Section 708A(11) of the Corporations Act to allow the Shares issued under the Share Issue to be secondary traded without restriction.

Please refer to Section 3.1 of this Prospectus for further details.

4.2 Effect of the Offer on capital structure

The effect of the Offer on the Company's capital structure is set out below.

| Shares | Number |
|--|----------------------|
| Shares currently on issue | 2,020,777,923 |
| Shares issued under the Share Issue ¹ | 186,424,244 |
| Shares offered under this Prospectus | 10,000 |
| Total Shares on issue on completion of the Offer and Share Issue | 2,207,212,167 |
| Listed Options | Number |
| Listed Options exercisable at \$0.02 on or before 31 January 2015 currently on issue | 1,319,075,939 |
| Listed Options offered under this Prospectus | Nil |

4.3 Financial effect of the Offer

Set out as follows is an unaudited pro-forma consolidated balance sheet of the Company and its controlled entities as at 31 March 2014 based on the unaudited balance sheet of the Company and its controlled entities as at 31 March 2014 and adjusted to reflect:

- the issue of 10,000 shares at \$0.001 to raise \$10 less costs of \$8,000. The expenses of the Offer exceeding \$10 will be met from the Company's existing cash reserves;
- the issue of 31,500,000 shares at \$0.001 in consideration of professional fees.
- the issue of 37,319,270 shares at \$0.001 in consideration of professional fees.
- the issue of 120,000,000 shares at \$0.0008 to an Australian based institutional investor upon receipt of a \$96,000 debt conversion notice as part of a convertible note facility.

- The issue of 50,000,000 shares at \$0.0008 to an Australian based institutional investor upon receipt of a \$40,000 debt conversion notice as part of a convertible note facility.
- The issue of 154,924,244 shares at \$0.0008 shares in consideration for \$123,939 short-term debt repayment.

Unaudited Consolidated Pro-forma Balance Sheet

| | Notes | Unaudited 31/03/14 (\$000's) | Unaudited Proforma (\$000's) |
|-----------------------------|-------------|------------------------------------|------------------------------------|
| Cash | (4) | 96 | 88 |
| Receivables | | 46 | 46 |
| Other current assets | | 16 | 16 |
| Total Current assets | | <u>158</u> | <u>150</u> |
| Receivables | | 1,138 | 1,138 |
| Property, Plant & Equipment | | 113 | 113 |
| Deferred Exploration | | 65,365 | 65,365 |
| Total Non-Current Assets | | <u>66,616</u> | <u>66,616</u> |
| TOTAL ASSETS | | <u>66,774</u> | <u>66,766</u> |
| Trade payables | (1) | 1,024 | 955 |
| Convertible loan | (2),(3),(5) | 475 | 215 |
| Total current liabilities | | <u>1,499</u> | <u>1,170</u> |
| Total Liabilities | | <u>1,499</u> | <u>1,170</u> |
| NET ASSETS | | <u>65,275</u> | <u>65,596</u> |
| Contributed Equity | (1)-(5) | 82,423 | 82,752 |
| Reserves | | 18 | 18 |
| Accumulated Losses | | -17,272 | -17,280 |
| Parent Entity Interest | | 65,169 | 65,490 |
| Non-controlling Interest | | 106 | 106 |
| TOTAL EQUITY | | <u>65,275</u> | <u>65,596</u> |

- Note:**
- (1) Consideration for professional fees, 15,750,000 shares @ \$0.001
Consideration for professional fees, 37,319,270 shares @ \$0.001
 - (2) \$96,000 Australian institutional debt conversion; 120,000,000 shares @\$0.0008
 - (3) \$40,000 Australian institutional debt conversion; 50,000,000 shares @ \$0.0008
 - (4) 10,000 shares offered under cleansing prospectus @ \$0.001
 - (5) \$123,939 short-term debt repayment, 154,924,244 shares @ \$0.0008

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

5.1 Shares

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) Meetings and Notices

Each Shareholder is entitled to receive notices of and to attend and vote at all general meetings of the Company. The failure of a Shareholder to receive a notice of a general meeting does not invalidate the proceedings, or any resolution passed at, any such general meeting. No business may be transacted at any meeting of Shareholders unless a quorum is present comprising two Shareholders present in person, by proxy, attorney or representative. Shareholders may attend a general meeting at which the Shareholder is entitled to be present in person, by proxy, by attorney or, in the case of a Shareholder which is a body corporate, by a corporate representative.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company every Shareholder present in person or by a representative, proxy or attorney has one vote on a show of hands and every such Shareholder present in person or by a representative, proxy or attorney has one vote per fully paid Share on a poll.

Where there are two or more joint holders of the Shares and more than one of them is present at a meeting and tenders a vote in respect of the Share (whether in person or by proxy, representative or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of Shareholders.

(c) Dividend Rights

Subject to and in accordance with the Corporations Act, the Listing Rules and any rights or restrictions attaching to a class of shares, the Directors may from time to time decide to pay a dividend to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares. No dividend shall carry interest as against the Company.

The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

(d) **Winding Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set a value as the liquidator considers fair upon any property to be so decided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. No member is obliged to accept any Shares, securities or other assets in respect of which there is any liability. The liquidator may, with the authority of a special resolution, vest the whole or any part of any property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

Subject to the rights of Shareholders (if any) entitled to Shares with special rights in a winding-up and the Corporations Act all monies and property that are to be distributed among Shareholders on a winding-up, shall be distributed in proportion to the Shares held by them respectively, irrespective of the amount paid-up or credited as paid-up on the Shares.

(e) **Transfer of Shares**

Subject to the Constitution, Shareholders may transfer one or more Shares they hold by:

- (i) an ASX Settlement Transfer ;
- (ii) an instrument of transfer in compliance with the Constitution; or
- (iii) any other method introduced by ASX or operated in accordance with the ASX Settlement Operating Rules or Listing Rules and in any such case recognised under the Corporations Act.

The Company may decline to register a transfer of Shares (other than an ASX Settlement Transfer) where the ASX Listing Rules permit or require the Company to do so. If the Directors decline to register a transfer, the Company must, within 5 Business Days after the transfer is delivered to the Company, give the transferee and the lodging broker (if any) written notice of the refusal and the reason for refusal in accordance with the Listing Rule.

(f) **Future Issues**

Subject to the Constitution, the Corporations Act and the ASX Listing Rules, the Directors may allot, issue or grant options over, or otherwise deal with the unissued shares in the Company at the times and on the terms and conditions that the Directors think proper and a share may be issued with preferential, deferred, qualified or special rights, privileges or conditions or restrictions.

(g) **Alteration of Constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

(h) **Variation of Rights**

The Company may only modify or vary the rights attaching to any Shares with the prior approval by a special resolution passed at a separate meeting of the holders of shares of that class or with the written consent of the holders of at least three-quarters of the issued Shares of the affected class. Any variation of rights under this clause 5(g) shall be subject to Part 2F.2 of Chapter 2F of the Corporations Act.

(i) **Reduction of Capital**

Subject to the Corporations Act and the Listing Rules, the Company may reduce its share capital in any way including, but not limited to, distributing to shareholders securities of any other body corporate and, on behalf of the shareholders, consenting to each shareholder becoming a member of that body corporate and agreeing to be bound by the constitution of that body corporate.

(j) **Directors**

The minimum number of Directors is three and the maximum is nine. Currently there are three Directors. Directors must retire on rotational basis so that one-third of Directors must retire at each annual general meeting, provided always that no Director except a Managing Director shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself for re-election. Subject to the provisions of the Constitution, the Company may elect a person as a Director by resolution passed in a general meeting. The Directors may appoint a person to be a Director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(k) **Officers' Indemnity**

To the extent permitted by the law, the Company:

- (i) indemnifies and agrees to keep indemnified every Director, executive officer, or Secretary of the Company; and
- (ii) may, by deed, indemnify or agree to indemnify an officer (other than a Director, executive officer or Secretary) of the Company,
- (iii) against a liability to another person, other than the Company or a related body corporate of the Company, PROVIDED THAT:
- (iv) the provisions of the Corporations Act (including, but not limited to, Chapter 2E) are complied with in relation to the giving of the indemnity; and

- (v) the liability does not arise in respect of conduct involving a lack of good faith on the part of the officer.

6. RISK FACTORS

6.1 Introduction

Activities in the Company and its controlled entities, as in any business, are subject to risks, which may impact on the Company's future performance. The Company and its controlled entities have implemented appropriate strategies, actions, systems and safeguards for known risks, however, some are outside its control.

The Directors consider that the following summary, which is not exhaustive, represents some of the major risk factors which Shareholders need to be aware of in evaluating the Company's business and risks of commencing or increasing your investment in the Company. Shareholders should carefully consider the following factors in addition to the other information presented in this Prospectus.

There are specific risks relating to the Company set out in Section 1.3 of this Prospectus.

More general risks that apply to an investment in the Company are set out below:

6.2 General risks

The value of the Company's Shares is affected by a number of general factors which are beyond the Company's or the Board's control.

Factors such as inflation, currency fluctuation, interest rates, supply and demand and industrial disruption have an impact on operating costs, local and international economic conditions and general investor sentiment.

(a) Commodity price and exchange rate fluctuations

If the Company achieves success leading hydrocarbon production, the revenue it will derive through the sale of hydrocarbons exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for hydrocarbons, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(b) Competition risk

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and

operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(c) **General equity market risk**

The value of the Company's Shares, including new Shares to be issued under the Offer may fluctuate. In recent times, the extent of the volatility in the price of the Company's Shares and the wider market has been significant.

Investments in equity markets are generally speculative in nature and potential investors should carefully consider this risk before making any investment in Shares.

There is no guarantee that the Shares will trade at or above the price pursuant to the Offer. Potential investors should also note that past performance of the Shares on ASX provides no guidance as to the future performance of these Shares on ASX.

Many factors will affect the price of Securities including local and international stock markets, movements in interest rates, economic conditions and investor sentiment generally. In addition, the commencement of, or escalation in, any war, armed conflict, hostilities between nations, civil unrest or terrorist activities may affect the price of Securities.

(d) **Economic factors**

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company. Factors that may contribute to that general economic climate include the level of direct and indirect competition against the Company, industrial disruption in Australia, the rate of growth of Australia's gross domestic product, interest rates and the rate of inflation.

(e) **Security holders' margin lending arrangements**

Security holders may, from time to time, enter into margin lending arrangements for the purchase of Securities in the Company on terms and conditions not known to the Company.

The Directors are unable to predict the risk of financial failure or default by a Security holder who has entered into such an arrangement or insolvency or other managerial failure by any party who may have provided such an arrangement to the Security holder. Such an event may lead to parcels of Securities being made available for sale which may impact negatively on the price of the Company's Securities.

6.3 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of Shares offered under this Prospectus. Therefore, the Shares to be issued pursuant to this Prospectus

carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Shareholders should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

7. ADDITIONAL INFORMATION

7.1 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and

- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below:

| Date | Announcement |
|--------------------|---|
| 26 May 2014 | Appendix 3B |
| 07 May 2014 | Change of Director's Interest Notice |
| 01 May 2014 | Golden Eagle Assessment |
| 30 Apr 2014 | Quarterly Activities Report |
| 30 Apr 2014 | Quarterly Cashflow Report |
| 15 Apr 2014 | Appendix 3B |
| 04 Apr 2014 | Appendix 3B |
| 18 Mar 2014 | Appendix 3B |
| 18 Mar 2014 | Cleansing Prospectus |
| 14 Mar 2014 | Half Year Accounts |
| 13 Mar 2014 | Company Update – BRR Webcast |
| 12 Mar 2014 | Reinstatement to Official Quotation |
| 12 Mar 2014 | Company Update |
| 03 Feb 2014 | Quarterly Activities Report |
| 03 Feb 2014 | Quarterly Cashflow Report |
| 09 Jan 2014 | Conversion of convertible note and Appendix 3B |
| 27 Dec 2013 | Funding Update |
| 09 Dec 2013 | Company Update - Replacement |
| 09 Dec 2013 | Company Update |
| 03 Dec 2013 | Appendix 3B |
| 28 Nov 2013 | Results of Meeting |
| 28 Nov 2013 | AGM Presentation |
| 15 Nov 2013 | Suspension from Official Quotation |
| 13 Nov 2013 | Trading Halt |
| 06 Nov 2013 | Ceasing to be a substantial holder |
| 01 Nov 2013 | Appendix 3B |
| 01 Nov 2013 | Prospectus |
| 01 Nov 2013 | Quarterly Activities Report |
| 01 Nov 2013 | Quarterly Cashflow Report |
| 31 Oct 2013 | BRR Webcast & Interview Transcript |
| 31 Oct 2013 | Notice of Annual General Meeting/Proxy Form |
| 31 Oct 2013 | US Fund Investment Allows Completion of Financing Program |
| 29 Oct 2013 | Trading Halt |
| 18 Oct 2013 | Appendix 3B - Amendment |

| | |
|--------------------|---|
| 18 Oct 2013 | Appendix 3Y - Correction |
| 02 Oct 2013 | Aleator arrange additional funding of EUR 5 million |

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

7.2 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce them to become, or to qualify them as, a Director or otherwise for services rendered by them or by the firm in connection with the formation or promotion of the Company or the Offer.

The Directors' and CEO's relevant interests in the Company's securities as at the date of this Prospectus and remuneration payable for the current and the last two financial years (excluding superannuation) is set out below:

| Name | Shares | Options ¹ | Remuneration FY 12 | Remuneration FY 13 | Current financial year |
|-----------------------|---------------|-----------------------------|-------------------------------|-------------------------------|-----------------------------------|
| Lewis Cross | 7,680,000 | 20,030,000 | \$96,000 | \$85,000 | \$65,166 |
| Gennady Varitsky | 20,000,000 | 25,000,000 | Nil | \$21,000 | \$27,600 |
| Mark Rowbottam | 42,099,888 | 15,000,000 | \$42,500 | \$168,167 | \$191,666 |
| Wal Muir ² | 30,115,959 | 2,777,777 | nil | \$165,755 | \$101,788 |

Notes:

- These options are all listed exercisable at 2 cents on or before 31 January 2015.
- Wal Muir was engaged by the Company under a secondment arrangement with AWT International before being engaged by the Company. The Company has paid AWT International amounts of \$204,864 for FY12 and \$133,333 for FY13.

The Constitution of the Company provides that the Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting. The current amount has been set at an amount not to exceed \$500,000 per annum.

The remuneration and emoluments from the Company paid to the Directors for the previous financial year and the agreed remuneration and emoluments contracted to be payable over the current financial year (in each case excluding statutory superannuation) is set out in the table above.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.3 Controlled Placement Agreement

The Company has entered into a Controlled Placement Agreement ("**CPA**") with Acuity Capital Pty Ltd ("**Acuity Capital**"). The CPA provides Aleator Energy with access to up to \$2 million of standby equity capital.

The key features of the CPA are:

1. Standby equity capital of up to \$2,000,000 available at the Company's sole discretion
2. Available to 14 October 2014 ("**Term**")
3. No obligation on the Company to place shares
4. The CPA provides Aleator Energy with full control over the placement process, including the right to determine the following for each new placement:
 - a. **Maximum Placement Amount** to be issued for any particular Placement Period, minimising dilution of existing shareholders
 - b. **Floor Price**, being the minimum issue price for that Placement Period
 - c. **Placement Period**, being the date(s) over which the VWAP and placement price is calculated
5. Each new placement is issued at a 10% discount to a volume weighted average price (**VWAP**) over the Placement Period, subject to the Floor Price determined by the Company
6. The actual issue price per share may be higher than the Floor Price set by the Company for a Placement Period. This may occur where the discounted VWAP of Aleator Energy shares over the relevant Placement Period is above the Floor Price
7. Aleator Energy has the right to cancel the CPA at any time for a modest fee
8. No restrictions on Aleator Energy entering into debt financing arrangements or from undertaking additional private placements, rights issues or shareholder purchase plans
9. No restrictions on Aleator Energy entering into strategic industry partnerships or undertaking acquisitions of assets and shares in the future

Aleator Energy is under no obligation to raise capital under the CPA. If the Company does decide to utilise the CPA, the Company has control, so Aleator Energy determines the frequency, timing, maximum size and minimum issue price of any capital raised under the CPA. To date, the Company has not utilised this financing facility.

7.4 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer and associated due diligence process. The Company estimates it will pay Steinepreis Paganin \$5,000 (excluding GST and disbursements) for these services.

7.5 Consents

Each of the parties referred to in this Section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Steinepreis Paganin has given and has not withdrawn its consent to be named as the solicitors to the Company in this Prospectus, in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, and expressly disclaims and takes no responsibility for, any part of this Prospectus.

7.6 Litigation

As at the date of this Prospectus, our Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against our Company.

7.7 Estimated expenses of Offer

The total expenses of the Offer are estimated to be approximately \$8,000 as follows:

| Expense | (\$) |
|--|--------------|
| ASIC fees | 2,225 |
| Legal expenses | 5,000 |
| Miscellaneous, printing and other expenses | 775 |
| Total | 8,000 |

7.8 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

| | | |
|---------|---------|-------------|
| Highest | \$0.002 | 06 May 2014 |
| Lowest | \$0.001 | 19 May 2014 |
| Last | \$0.001 | 26 May 2014 |

7.9 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on (08) 9385 0700 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or Prospectus or any of those documents were incomplete or altered.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated the 27th day of May 2014.

Signed for and on behalf of:

ALEATOR ENERGY LIMITED



Mark Rowbottom
Executive Director

9. **DEFINITIONS**

\$ means Australian dollars.

Aleator or **Company** means Aleator Energy Limited (ACN 063 074 635).

Applicant means an investor who applies for Shares pursuant to the Offer.

Application Form means an application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it, as the context requires.

ASX Listing Rules means the listing rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Company or **Aleator** means Aleator Energy Limited.

Closing Date means the date specified in the timetable in Section 1 of this Prospectus (unless extended).

Constitution means the constitution of the Company as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Offer means the offer of Shares referred to in the "Details of the Offer" section of this Prospectus.

Official Quotation means official quotation on ASX.

Opening Date means the opening date of the Offer as specified in the timetable set out in Section 1 of this Prospectus (unless extended).

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means western standard time as observed in Perth, Western Australia.