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ALEATOR ENERGY March 2014 QUARTERLY ACTIVITIES REPORT

- **Status of the Povorotnoye Project**
 - **Company Ownership Rights in Crimea**
 - **BLM Approval to Utilise Existing Wells to Extend Golden Eagle Leases**
 - **Golden Eagle Operational Assessment Completed**
 - **Golden Eagle Significant Play for Gas & Liquids Remains Untested**
 - **Golden Eagle Current Status and Forward Plans**
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The Directors of Aleator Energy Limited (ASX: **AWD**) ("**Aleator**" or "**the Company**") are pleased to report on its activities and operations for the quarter ended 31 March 2014.

In the quarter, the Directors have remained attentive to the situation and developments in the Autonomous Republic of Crimea where the Company's Povorotnoye Gas and Condensate project is located. Aleator has also been focused on the re-assessment of its asset in the US, the Golden Eagle gas field.

Status of Company interests in Crimea

On 12 March 2014, the Directors advised that the Company had declared force majeure on its Povorotnoye project until the resumption of a normal operating environment. Then, on 16 March Crimeans voted in a referendum to leave Ukraine to join the Russian Federation. This move triggered international diplomatic responses. Subsequently public political activity in the Crimea has settled down, although the Company notes that ongoing unrest continues across the border regions in the eastern part of Ukraine. This activity does not appear to currently affect day to day life in the region of Crimea where the Company's office and the Povorotnoye field is located.

Aleator has remained in regular contact with the staff of its local subsidiary in Crimea, who confirm that all personnel remain safe and are able to continue with day to day activities. The local office and staff is focused on ensuring that any new administrative and regulatory processes are being complied with to uphold the Company's ownership rights. Aleator has confirmed that its assets are intact and secure.

Company Ownership Rights in Crimea

As advised, Aleator's Director Gennady Varitsky met with staff and local government and regulatory officials, who provided reassurances that the Company's commercial interests would be upheld.

Since Mr Varitsky's visit to Crimea, Mr Rustam Temirgaliyev, the First Deputy Prime Minister of the Autonomous Republic of Crimea, stated that *"The property of private companies and individuals will remain in their ownership. Our only request to them is to reregister their ownership rights in accordance with Russian legislation..."*

On 31 March 2014, the Russian Prime Minister Dmitry Medvedev reportedly said that Crimea's development was a "state priority" and announced that he would make Crimea a special economic zone, with tax breaks and reduced bureaucracy to attract investors. He also vowed to quickly boost salaries and pensions, and to improve education, healthcare and local infrastructure.

The announcements from the First Deputy Prime Minister and the Russian Prime Minister was welcomed by the Company as it strengthens the Aleator's position to continue with the Povorotnoye project when the operating environment in Crimea stabilises.

Financing Arrangements for Povorotnoye Project

Due to the situation in Ukraine, the financing arrangements for the Povorotnoye project have been put on hold. The Company had 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 Ukraine (Well). Gres continues to monitor the impact of the political situation in Ukraine 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 had 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 Ukraine 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.

THE GOLDEN EAGLE GAS FIELD

On 07 March 2014 the Company received formal confirmation from the 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.

On 14 March 2014 the company reported that it was conducting an assessment of geological data and past operations to determine the ongoing prospectivity of USA project Golden Eagle

Gas Field (Golden Eagle) and how this may best be translated into increasing shareholder value. This assessment was completed and was reported in a recent announcement to the ASX.

The Directors note that although the wells drilled by the company were successful in finding and testing gas, the prospectivity of the area as originally surmised has yet to be tested.

Assessment Summary

In the overview on the assessment, the Company noted:

- The Golden Eagle Permit is 25,903 acres (22,219 Net) in area and surrounded by significant producing fields including the look-alike Lisbon field to the south (50MMbbls and 750 BCF from the Leadville reservoir);
- A previous 2D seismic program conducted in 2002 by Eclipse (farm-in partner) was restricted to the northwest of the prospect because of unresolved issues with a local environmental group, in relation to the initiation of new tracks by the seismic contractor;
- The resulting seismic coverage in the south-eastern half of the permit is very sparse and the nearest seismic line (line 99X) to the inferred mapped structure is relatively old and provided less than adequate control to define well locations or for drilling new wells;
- When the Company acquired its interest in the permit in 2005, it unitized the leases and was then compelled to drill wells on a specified timeframe by Unit Agreement work obligations. The first well was required to spud within six months of unitization and subsequent wells were required to be drilled within six months of completion of the previous well. Failure to meet drilling obligations would have resulted in termination of the Unit and expiry of leases;
- The drilling obligation timeframes did not allow time to acquire additional seismic and the then limited available seismic lines resulting in wells being located off structure with restricted drilling control, causing mechanical issues and other adverse outcomes which may have been otherwise mitigated by good seismic coverage;
- The first two wells in 2006 and 2009 were drilled to meet the farm-in terms, with principal targets being gas and liquids in the Leadville Formation, which was not tested in Paradox Basin #1 because of mechanical issues and was not reached in Paradox Basin #2. The third well in 2010 was drilled with a focus on the Ismay Formation in an attempt to establish production as a paying well, which if successful would have provided a further 5 year extension of the unit, which was due to expire at the end of 2010. After initial testing, further completion of this well was suspended at the time to concentrate on securing Unit and lease tenure;
- In spite of the issues as described above, the Paradox #1 and Paradox #3 produced an average gas flow rate over a 36 hour test period of 1.15 MMscf/d and 0.92 MMscf/d respectively and were both granted the status of producing wells (Yates Decision) to hold individual leases to the Unit by production;

After his examination of the findings of the assessment, the Company's CEO Wal Muir observed:

"...the discovery of significant gas zones over hundreds of feet, attest to the existence of hydrocarbon charge and seal. All wells intersected hydrocarbons and flowed gas, however due to limited seismic and mechanical issues with the wells, the Leadville Formation was not tested and the Paradox Formation is only completed down dip of the crest of the formation on the edge of that target structure."

Assessment Conclusion

The Golden Eagle assessment reveals that the significant primary play of the Leadville Formation, which lies within the Mississippian closure, mapped at approximately 20 square kilometres with an estimated 300 meters of vertical closure, remains untested and prospective for oil, gas and condensate. Further, the Paradox closure, mapped at approximately 14 square kilometres with an estimated 300 meters of vertical closure is also prospective for oil, gas and condensate and is only completed down dip of the crest of the formation on the edge of that target structure. This conclusion, although some further analysis of the geology is required, demonstrates that past operations on the Golden Eagle have resulted in no true test of the play potential, it is considered that the prospect remains essentially untested and still presents as a legitimate prospect for exploration with substantial upside potential.

Current Status of the Golden Eagle

Over the past two years, the Company has put in significant effort to re-unitize the Golden Eagle, secure tenure of the leases and negotiate concessions with the Bureau of Land Management (BLM) and various other stakeholders.

Positive results were achieved and the Golden Eagle is presented as follows:

- Unit Tenure until December 2017, with implied lease tenure until December 2019;
- Approval to side-track Paradox Basin #2 to the Leadville Formation in accordance with the Unit Agreement;
- Recognition of the production capability of two of the wells and approval to use it to hold leases to the Unit by production;
- Paradox Basin #1 and Paradox Basin #3 produced an average gas flow rate over a 36 hour test period of 1.15 MMscf/d and 0.92 MMscf/d respectively whilst still retaining significant fracture fluids, which indicates a significant upside in flowrate;
- Only 16ft of 116ft of net pay has been tested in Paradox Basin #3 with many promising zones yet to be evaluated;
- Well results with hundreds of feet of good gas shows attest to hydrocarbon charge and seal;
- Previously published Independent Resource Assessments have significant volumetric upside in stacked reservoirs, with considerable potential to increase the mapped Prospective Resource pool sizes at the deeper Leadville Formation ;
- The two significant inferred primary hydrocarbon plays remain essentially untested;
- Seismic line YC 6 shows a reverse-faulted thrust structure at depth in Mississippian-aged Leadville sediments and overlying Pennsylvanian sediments overlap and drape over this feature, presenting as a look-alike structure to the Lisbon field nearby to the south (50MMbbls and 750 BCF from the Leadville Formation reservoir);

- Indefinite suspension, awaiting approval of permits, which may be lifted on withdrawal of permit applications and re-routing the pipeline right of way (ROW) access;
- Seismic acquisition may be conducted whilst Federal leases are under suspension;
- A 26" gas mains pipeline with spare capacity passes across the north west of the Unit;
- The Permit overlies entirely state and federal lands with no private ownership or native title issues;
- Two of the wells have wellheads installed and have production tubing installed;
- The third well has been cased and suspended.

It was observed, that although some further analysis of the geology will need to be conducted, the directors are convinced that the Golden Eagle still presents as a legitimate prospect for exploration with substantial upside potential.

Golden Eagle Forward Plans

In order to make informed decisions on how to best translate the findings of the assessment into increasing shareholder value, the Company will need to conduct a comprehensive seismic program over the inferred mapped structures which contain the perceived primary hydrocarbon plays. This would certainly be required before locating or drilling any further wells. It is considered that in any event a seismic program would clarify the prospectivity of Golden Eagle for robust farm-in interest.

The Company has already engaged with geophysical firms in the US to propose a seismic plan and provide cost estimations.

Options are also being investigated to determine what is required to remove remaining frac fluid and to complete Paradox Basin #1 and #3 to bring them into production, now that gas prices in the US have more than doubled over the past year.

Aleator gave the undertaking to update the shareholders as the Company further defines its forward plan for Golden Eagle.

Other Financing Matters

On 09 January 2014, Aleator announced that it had elected to convert the \$500,000 loan into 100 million shares in the Company at the floor price of \$0.005. The loan was converted under approval granted at the annual general meeting in November.

On 6 March 2014 the Company signed a new Convertible Notes 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 were allocated in part by the Company to put the Povorotnoye Project in Crimea, Ukraine on care and maintenance until such time as the geopolitical situation in Crimea is resolved. The Company also applied these funds to the assessment of the Golden Eagle Gas Project in Utah, USA.

The Company was 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 an announcement lodged with the ASX on 11 March 2014.

End.

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Technical information contained in this announcement was approved by 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.

ABOUT ALEATOR ENERGY

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

The Golden Eagle Gas Field in Grand County Utah, USA, is located in the northern part of the Paradox Basin and contains a look-alike structure to the nearby Lisbon oil and gas field which has produced over 50 million of barrels of oil and 750BCF of gas.

The Povorotnoye Gas and Condensate Field in the Autonomous Region of Crimea, 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.