



ASX / Media Release:

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ALEATOR ENERGY SEPTEMBER 2014 QUARTERLY ACTIVITIES REPORT

- **Povorotnoye Status**
 - **Convertible Note Issue to Raise up to \$1.2 million**
 - **Review of New Projects**
 - **Corporate Update**
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The Directors of Aleator Energy Limited (ASX: **AWD**) ("**Aleator**" or "**the Company**") are pleased to report on the Company's activities and operations for the quarter ended 30 September 2014.

During the quarter, Aleator continued to focus on:

- getting confirmation of the Company's rights over the Povorotnoye project and securing its future rights;
- exploring opportunities to partner or monetise the Povorotnoye project;
- designing a seismic shoot over the Golden Eagle project and looking for a farm out partner;
- the review and assessment of a number of new projects; and,
- reducing the liabilities on the Company's balance sheet and the ongoing reduction of the Company's operational costs and overhead structure.

POVOROTNOYE PROJECT

In the past quarter, since receiving written confirmation from the Crimean authorities that the licence and JAA is in good standing until January 2015, the Company has maintained efforts to secure its interests in the Povorotnoye gas and condensate project. As part of that process, Aleator is progressing the incorporation of a Crimean/Russian subsidiary in order to meet the criteria for application of the Povorotnoye License renewal.

Other considerations being dealt with by Aleator are the implications on the Company by the current international sanction regime against Russia. On 19 March 2014, Australia imposed sanctions on Russia after annexation of Crimea from Ukraine and then during this quarter, on 14 September this year, the Australian Government advised that it was intending to increase its

sanctions on Russia to match those of the European Union. Key sanctions which may have adverse effects are those which ban new investment or trade in Crimea and ban any support to the Russian oil and gas industry. Denial of new access by Russian state-owned banks to the Australian capital market combined with further targeted financial sanctions and travel bans against individuals may also create some difficulty for the Company when seeking discretionary support from the Crimean authorities in permitting and licensing.

Aleator's management remains in active continuing dialogue with the sanctions section of the Australian Department of Foreign Affairs and Trade (DFAT), liaising with respect to implications on the Company's forward operations in the Crimea, as well ensuring that the Company remains in compliance with sanction rules.

It is expected that the situation is unlikely to change in the short term and the Company will inform shareholders from time to time on any developments in this matter. Meanwhile, the Company continues to maintain the security of its office, warehouse and drill site without incident and will pursue opportunities to partner or monetise the project when implications of the sanctions regime are certain.

CONVERTIBLE NOTE ISSUE

Post the quarter, the Company announced that it has received commitments of up to \$1,200,000 in a Convertible Notes issue. The funds raised through the issue of the Convertible Notes will be applied to working capital requirements, payments to creditors and project activities related to retaining the Povorotnoye licence and assessing seismic options on the Golden Eagle project.

The material terms of the Convertible Note issue are as follows:

- A maximum issue of up to \$1,200,000;
- The Notes have a face value of \$0.0006;
- The Notes are interest free;
- The Notes are secured against the assets of the Company;
- The conversion of Notes to shares is subject to shareholder approval;
- The number of shares to which a Noteholder will be entitled on conversion of each Note will be the greater of either:
 - One share, i.e. each Note converts into a share on a one for one basis; or,
 - In the event of a reconstruction of the Company's issued capital, the number or fraction of shares being the product of 0.0006 multiplied by the consolidation ratio divided by the price which is 80% of the five day VWAP calculated on but excluding the twenty first trading day after the Company's securities first trade on the ASX on a post consolidation basis; and
- If shareholder approval is not obtained, the note holders may redeem their notes by providing the Company with a redemption notice.

NEW PROJECTS

The Company continues to review and assess new project opportunities that have the potential to create value for shareholders. Various projects have been reviewed to date and are currently under review, with a focus on near term production opportunities.

CORPORATE ACTIVITY

In addition to the activities related to projects, the Company has continued to focus on reducing liabilities, improving operational efficiency and managing its cash flow diligently. The Company's working capital requirements have been significantly reduced through ongoing cost reduction measures consistent with the lower level of operational activity recently. The Company has entered into agreements with the directors and CEO of the Company for the conversion of accrued fees to equity, which subject to shareholder approval and the convertible note raise will extinguish the Company's liabilities.

The Convertible Note issue along with agreements from directors and other lenders to convert their debts in the Company to shares, subject to regulatory and shareholder approval, will result in the Company having a net working capital surplus. The Company, at its Annual General Meeting, is seeking approval to raise additional funds to fund the Company's existing project and additional potential project acquisitions.

End.

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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.