

30 July 2010

**QUARTERLY UPDATE ON ACTIVITIES FOR THE PERIOD TO 30 JUNE 2010**

**HIGHLIGHTS:**

- **First commercial sale of oil from J-50 well on 7 May 2010.**
- **The commercial potential of Block 31 confirmed with production test flow rate from J-50 on choke at 350 to 435 bopd with 10,000 barrels of oil produced and sold in July.**
- **Independent review of Block 31 seismic post J-50 drilling confirms a P(50) increase of recoverable resources from 43 mmbbls to ~ 80 mmbbls**
- **Planning has commenced for 2010 commitment well (J-51) as a step out development well from J-50 targeting the same Mid Triassic production horizon .**

Jupiter Energy Limited (ASX: JPR) presents the following update on activities for the 3 month period ending 30 June 2010. Also included in this report are details of any subsequent events that have occurred up to the date of this release.

Overall, the March - June quarter was a difficult one for equity markets and share prices across the globe suffered sharp declines. The JPR share price was no exception.

During the quarter the Company made its first sale commercial sale of oil from the Block 31 permit and completed the transition from an oil exploration company to an oil producer. This marked the achievement of an important milestone despite perhaps being overshadowed by difficult economic conditions and, in particular, the negative impact felt by the inability to exercise the JPROA listed options.

The Company has made numerous announcements over the period, many of which outline in detail the progress of the J-50 well, and these announcements can be found on the Company website - [www.jupiterenergy.com.au](http://www.jupiterenergy.com.au)

Shareholders are encouraged to read these announcements as they provide a regular update on Company activities in Kazakhstan.

## **J-50 Well**

On 7 May 2010 JPR announced that the first commercial sale of oil produced from the J-50 well had been made at production rates that confirmed the commercial viability of the well. Earlier in the quarter, drilling and formation evaluation activities confirmed that 110 m of Middle Triassic producing reservoir was present in J-50, in line with the Company's geological pre-drill prognosis. A large portion of the carbonate reservoir (54m) was cored during the drilling process and wireline log analysis later confirmed a net pay of ~70m (representing 63% net to gross) which exceeded Company expectations.

In June, JPR announced that the carbonate reservoir in the J-50 well had been stimulated with acid to improve production rates and that the well had been placed on long term production test.

During June and July 2010, oil production rates from J-50 ranged from 350 to 435 bopd, depending on choke setting. Production data will continue to be monitored to establish the long term performance parameters of the reservoir. J-50 will be on test production until late August 2010 (maximum of 3 months) and during this time all produced oil is being sold into the domestic market at a price of approximately \$US22.50 per barrel (FOB). The oil is being collected by the purchaser and trucked from the well site.

The Company is currently preparing its application for a Trial Production licence for J-50 and once this has been granted the Company will consider deploying additional techniques to further enhance production from the J-50 well.

## **NWZ 2 Well**

The North West Zhetybai 2 (NWZ 2) well was put onto production test following the completion of preparation of the J-50 well for test production. As anticipated, to maximise production rates it is expected that a submersible pump will need to be installed. Engineering design and contracting for this work has been completed during July with installation planned in August after which the Company will be in a position to confirm an actual flow rate from this well.

Like the J-50 oil, oil from NWZ 2 will be sold into the domestic market during its 3 month test production phase. The Company is also currently preparing its application for a Trial Production licence for NWZ 2.

## **J-51 Well**

The tender documentation for drilling services for the J-51 well was released for open tender on 24 April 2010. The tender was originally written on the basis that the J-51 well would spud in July 2010.

Tenders were received in late May and after reviewing the pricing, the Company elected to defer the completion of the tender process. Discussions were initiated with some of the respondents and the spud date has been re scheduled to September 2010. As already discussed above, the J-51 well will be a step out well from the current J-50 location and will target the same Middle Triassic reservoir as J-50. Importantly, as the J-51 location targets the same Middle Triassic reservoir as J-50, the Trial Production licence application for J-50 also covers the J-51 well.

The Company expects the J-51 well to be completed more quickly and for a lower cost than the J-50 well. This is a reflection of the experienced gained by the in country team during the drilling of J-50.

## Upgrade in Block 31 Reserves/Resource

On July 13 2010 the Company announced that JPR had received notification of a 37 mmb (million barrels of oil) increase in the P50 recoverable resources of JPR's Block 31 Triassic reservoirs. The additional resources are located north of the successful J-50 well and are the result of an independent review of Block 31, post the drilling of J-50, carried out by Reservoir Evaluation Services LLP (RES). RES are part of the global AGR Group, a provider of services and technologies to the international petroleum industry.

The Jurassic and Triassic formations in Block 31 are now estimated to contain up to 80 mmb recoverable reserves and resources which is a significant increase from the previously announced 43 mmb. The table below summarises the breakdown of Triassic and Jurassic formations. The total of independently verified Mid Triassic P50 reserves and resources in Block 31 now stands at 58 mmb recoverable and JPR also maintains an internal assessment of the Jurassic prospective resource of 22 mmb recoverable. This assessment of the Jurassic will be independently verified after JPR has drilled its first well into the Jurassic resource (J-51), which is expected to occur in 2011, unless it is decided to expedite drilling to commence in Q4 2010.

Pre J-50 Reserve and Resource Summary	Recoverable Reserves and Resources (MMstb)	Source
Triassic Reserves + Resource	20.8	Senergy (pre-J-50 Jan 2010)
Jurassic Resource	22.2	JPR
<b>TOTAL</b>	<b>43.0</b>	

Post J-50 Reserve and Resource Summary	Recoverable Reserves and Resources (MMstb)	Source
Triassic Reserves + Resource	20.8	Senergy (pre-J-50 Jan 2010)**
Triassic Resource (addition)	37.4	RES (post J-50 July 2010)
Jurassic Resource	22.2	JPR
<b>TOTAL</b>	<b>80.4</b>	

\*\* An independent review of Triassic structure in the southern area of Block 31 (an area covered by the January 2010 Senergy study) is currently being carried out and these results will be presented in due course.

## Management Appointment

On 19 July 2010, Sanat Kassymov joined the Almaty office in the role of Chief Financial Officer (CFO). As the Company moves toward generating export oil revenues from production, it is critical that the important role of CFO is located in Kazakhstan. Sanat will work closely with Scott Mison on the handover of the day to day financial duties and Scott will remain with JPR as Company Secretary and maintain a leading role in coordinating group financial matters such as treasury and the global audit process.

Sanat was previously with BMB Munai, a Kazakh oil & gas company listed in the USA on the NYSE, and has the necessary industry and financial experience to undertake this important role.

## Capital Structure and Finances

As at 30 June 2010, the Company had 886,220,391 listed shares trading as JPR.

The Company's 300,000,000 listed options trading as JPROA expired on 30 June 2010 and no funds were raised from these options.

As at 30 June 2010, the Company had the following 38m unlisted options on issue:

- 3,000,000 expiring on 31/12/2012 and having a strike price of \$0.185
- 20,000,000 expiring 30/06/2011 and having a strike price of \$0.08
- 6,000,000 expiring on 31/12/2012 and having a strike price of \$0.10 \*
- 4,000,000 expiring on 31/12/2012 and having a strike price of \$0.15 \*

\* Some of these options are subject to a vesting period of 12 months (6,000,000 - \$0.10 options) and 24 months (4,000,000 - \$0.15 options)

As at 30 June 2010, the company also had a total of 45m Performance Rights, broken into 3 categories with 15m expiring on 31/12/2010, 15m expiring on 31/12/2011 and 15m expiring on 31/12/2012. The vesting milestones for the Performance Rights are as follows:

- 31/12/2010 Performance Rights: The Company achieving either cumulative production of 150,000 barrels of oil or a market capitalisation of \$A100m (whichever is the sooner);
- 31/12/2011 Performance Rights: The Company achieving either cumulative production of 300,000 barrels of oil or a market capitalisation of \$A200m (whichever is the sooner);
- 31/12/2012 Performance Rights: The Company achieving either cumulative production of 500,000 barrels of oil or a market capitalisation of \$A300m (whichever is the sooner).

Cash reserves of the Company as at 30 June 2010 stood at approximately \$A1.34m. During the quarter the Company raised \$A4.65m in new funds as well as extinguishing its outstanding debt to Biscra Holdings of \$US1.975m. Funding was achieved via the combination of the placement of 71.6m shares to sophisticated investors and the issue of 28.4m shares to Biscra. All shares were issued at the equivalent of \$A0.065 per share.

As part of the 13 July 2010 announcement, the Company advised shareholders that it is in discussions with parties regarding the ongoing development of Block 31. Various forms of involvement have been discussed with these parties and as soon as a binding decision has been made on the appropriate way forward, shareholders will be advised.

A General Meeting of shareholders is scheduled for Monday 9 August and shareholders are reminded that for proxies to be valid they will need to be correctly completed and received by 10am (WST) Saturday August 7 2010 at the address nominated on the proxy form.

## New Company Research

June 2010 saw Research released by both Patersons Securities and Westhouse Securities. Both reports were extremely positive and their respective target prices for JPR are a significant premium to the current JPR share price. An update to the Patersons Research was released in July in response to the upgraded reserves/resource announced on 13 July 2010.

Both of the Patersons Research Reports are available from the JPR website. Details of how to request access to other Research Reports that have been written on the Company are also available on the JPR website.

## Summary

Ultimately an oil explorer is judged by its exploration and development drilling success and the subsequent volume of produced oil sold into the export market. JPR has made good progress this quarter as it moved into the production phase of its development as an E and P company. The next six months are expected to be pivotal for the Company as it focuses on the commercialization of its now significant resource base.

The Board remains optimistic about the future and expects the Company to be in a positive cashflow position when export revenues are achieved from the J-50 and J-51 wells in 2011.

If anyone has any questions regarding this quarterly report they are welcome to contact the Company on +61 8 9322 8222.

Geoff Gander  
Executive Chairman

**ENDS**

### Competent Person Statements

*The information in this document which relates to Triassic oil reserves (2P) and prospective resource (P50) is based on information compiled by Senergy Limited and also Reservoir Evaluation Services LLP. Both companies are international oil & gas consulting companies that specialise in oil and gas reserve estimations.*

*Senergy Limited has sufficient experience which is relevant to reserve estimations and to the specific exploration permit in Kazakhstan to qualify as competent to verify information pertaining to the Triassic oil reserves (2P) and prospective resource (P50). Senergy Limited has given and not withdrawn its written consent to the inclusion of its name and the Triassic 2P reserves and prospective resource (P50) figures in the form and context in which they appear in this announcement. Senergy Limited has no material interest in the Company.*

*Reservoir Evaluation Services LLP has sufficient experience which is relevant to reserve estimations and to the specific exploration permit in Kazakhstan to qualify as competent to verify information pertaining to the Triassic oil reserves (2P) and prospective resource (P50). Reservoir Evaluation Services LLP has given and not withdrawn its written consent to the inclusion of its name and the Triassic 2P prospective resource (P50) figures in the form and context in which they appear in this announcement. Reservoir Evaluation Services LLP has no material interest in the Company.*

*The information in this document which relates to the Jurassic potential resource is based on information compiled by Mr. Keith Martens who is a Director of Martens Petroleum Consulting Pty Ltd.*

*Mr. Keith Martens has sufficient experience which is relevant to oil & gas reserve estimation and to the specific permit in Kazakhstan to qualify as competent to verify the information pertaining to the Jurassic potential resource. Mr. Keith Martens has given and not withdrawn his written consent to the inclusion of the Jurassic potential resource in the form and context in which it appears. Keith Martens has no material interest in the Company.*