

24 October 2012

Jupiter Energy Limited (“Jupiter”, “JPR” or the “Company”)

**QUARTERLY UPDATE ON ACTIVITIES FOR THE THREE MONTH PERIOD TO 30  
SEPTEMBER 2012**

**KEY POINTS:**

- The J-55 well reached total vertical depth of 3,400m on 29 September 2012.
- Initial analysis of the J-55 well indicated 112m of gross reservoir and approximately 60m net pay in the Mid Triassic carbonate reservoir unit. This is similar to that of the already discovered Akkar East oilfield. The 90-day flow testing program for J-55 is expected to commence in early November.
- Production from the J-51 and J-52 wells produced ~35,000 barrels during the quarter generating revenues of ~\$US2m.
- J-50 was shut in during the quarter for modifications to its top side facilities and awaiting the installation of an electric submersible pump (“ESP”). Following the October installation of the ESP, the well is currently flowing at ~250 bopd.
- J-53 underwent a chemical treatment that partially reduced the water production; the well will now undergo a workover with cement squeeze to further reduce the water influx.
- Successful Rights Issue completed in July raised \$11.25m (after costs).
- Conversion by SNG of \$US3.45 Convertible Notes to ordinary equity.

**POST PERIOD END:**

- J-58 well was spudded on 21 October. This is the Company’s 6<sup>th</sup> exploration well and the 2<sup>nd</sup> well drilled on the new southern extension area.

- **Trial Production Licence applications for both J-51 and J-53 wells are progressing with a current expectation that all approvals will be received before year end.**

Jupiter Energy Limited (ASX: "JPR" and AIM: "JPRL") presents the following update on activities for the 3 month period ending 30 September 2012. Also included in this report are details of subsequent events that have occurred up to the date of this release.

The July to September 2012 quarter continued to see measured progress being made by Jupiter Energy Limited in the transition from pure oil explorer to that of explorer and producer (E&P).

### **Overview of the Quarter:**

On 29 September 2012, the Company announced that the J-55 well had reached total vertical depth of 3,400m. Initial analysis by independent consulting firm Reservoir Evaluation Services LLC ("RES") confirmed some 112m of gross reservoir and approximately 60m of net pay at the Middle Triassic carbonate reservoir unit, the primary reservoir objective in the well. Results from the initial testing program are expected in November 2012.

In terms of oil production, during the quarter oil was produced from the J-51 and J-52 wells. J-52 produced ~25,700 barrels of oil during the period under its Trial Production Licence and the J-51 well produced ~9,300 barrels of oil in the period under its 2<sup>nd</sup> production testing phase after the Kazakh authorities approved testing of the Mid Triassic (A) horizon.

Production from J-52 was constrained during the quarter with the well shut in for a period whilst modifications were carried out to the well's topside infrastructure. Following the modification work, the well has flowed at ~400 bopd.

The J-50 well was also shut in for topside modifications and remained shut in awaiting the installation of an Electric Submersible Pump (ESP). The ESP installation was completed on 21 October, with the well currently flowing at ~250 bopd.

Oil sold during the quarter totaled ~35,000 barrels, generating revenues of ~\$US2m. Monies were received in full, on a pre-paid basis.

### **Operations in Detail:**

#### **J-50 and J-52 Wells (Trial Production):**

Both J-50 and J-52 had some modifications to their topside infrastructure carried out during the quarter to bring the facilities in line with new Kazakh safety legislation. During

the period that the modifications were carried out, both wells were shut in.

Once the modifications were completed, J-52 was brought back onto production at a rate of ~400 barrels of oil per day (bopd) and all oil produced was sold into the domestic market. A total of ~9,300 barrels was produced from the J-52 well during the quarter generating ~\$US530,000 in revenues.

Following completion of the topside modification, the Company made preparations to install an ESP at J-50 to optimize production from this well, which has historically been the least productive of Jupiter's production wells. The ESP installation was completed on 21 October and the flow rate from J-50 is currently ~250 bopd with all oil produced being sold into the domestic market. J-50 will be tested at various ESP operating conditions to determine the Inflow Performance Relationship (IPR) required for the optimum management of the Mid Triassic reservoir.

#### J-51 Well (Production Testing):

During the quarter the J-51 well was produced for periods in July, August and September from both the Mid Triassic (A) and (B) horizons. The oil produced during the quarter was sold into the domestic market. The well was shut in at the conclusion of the 90 day testing period, with the last oil produced on 12 September 2012. A total of ~25,700 barrels of oil was produced during the production testing period, generating ~\$US1.46m in revenues.

The Company has submitted an application for a Trial Production Licence for J-51 and it is currently expected that this will be approved before year end.

#### J-53 Well:

The J-53 well was the Company's fourth exploration well and the first of its two 2012 commitment wells on Block 31. The well is located 2.8 km southeast of the J-52 well and increased the known areal extent of the Akkar East field.

Following the initial production testing of J-53 during which flow rates of ~650 barrels of liquids per day were being produced, higher than expected water cuts were recorded. The well underwent a chemical treatment that partially reduced the water production; the well will now undergo a cement squeeze to further reduce the water influx that is expected to further enhance the oil rate.

Planning for the workover of J-53 was completed during the quarter and an extension to the initial 3 month production testing period was granted during October. The workover is expected to be completed during late October and an update on the performance of the J-53 well is expected to be provided to shareholders in November.

The Company has submitted an application for a Trial Production Licence for J-53 and it is currently expected that this will be approved before year end.

### J-55 Well:

The J-55 well is located on the southern extension acreage, granted in 2011, which increased the Block 31 permit size from ~63km<sup>2</sup> to ~123km<sup>2</sup>. The well is the final commitment well under the current 6 year exploration licence and spudded on 5 August 2012.

On 5 October 2012, the Company announced that J-55 reached a total depth of 3,400m in late September and that hydrocarbon shows while drilling, including a core in the reservoir zone, and subsequent open hole wireline logs all indicated hydrocarbons in the Triassic reservoir. The open hole logs indicated good levels of oil saturation and porosity, similar to the proved producing zones in the J-50, J-51, J-52 and J-53 wells on the Akkar East field.

Analysis by independent consulting firm RES confirmed some 112m of gross reservoir and approximately 60m of net pay at the Middle Triassic carbonate reservoir unit, the primary reservoir objective in the well. The geological indications were consistent with the Company's pre-drill expectations that the prospect being targeted by the J-55 well may contain up to 10 million barrels (mmbbls) of potential resources.

Production casing has been run into J-55 and cemented in place. The forward plan is to stimulate and flow test the J-55 well for up to a maximum of ninety days during which time flow rates and reservoir pressures will be measured for various choke sizes and fluid samples collected for analysis. The well will then be shut in and an application will be submitted to the relevant regulatory authorities for the well to be put onto a Trial Production Licence.

The mobilisation of the workover rig and testing equipment, as well as the receipt of all the required government approvals, is near completion. Results from the initial testing program are expected to be released in November.

### Forward Drilling Plan (J-58):

On 22 October, the Company announced the spudding of the Company's sixth exploration well, J-58.

The J-58 well is, like the J-55 well, located on the new extension area to the south of the already discovered Akkar East oil accumulation. It is positioned approximately 3.8km to the southeast of the J-55 well location.

The well is planned to be vertical and has the potential to intersect a secondary Jurassic clastic reservoir target and then the primary Mid-Triassic carbonate reservoir target before drilling to a planned total depth of approximately 3,400m true vertical depth.

The J-58 well will again be drilled by Kazakh drilling contractor Akpan LLP who will use the same ZJ-40 rig as was used previously for the J-55 well. The well is anticipated to take approximately 60 days from spud through to running production casing and temporarily suspending the well. The Company will then demobilise the drilling rig and, on a success case basis, mobilise a smaller and more cost-effective service rig to complete and test the well.

The planning and mobilisation of the workover rig and testing equipment may take two to three weeks before commencing the initial testing programme. The Company will complete this well in a similar fashion to the J-51, J-52, J-53 and J-55 wells.

The Company believes that the area being targeted by this well may contain up to 10 million barrels of potential resources.

### **Oil Sales:**

During the quarter the Company continued to transport its oil to a nearby processing and storage facility for onward selling to a local trader on a pre-paid basis.

The Company continues to investigate new markets for the sale of its oil from the Akkar East field. The Company anticipates increased oil production from its wells and also wishes to have the flexibility to deliver oil into the state owned oil pipelines after full field development has been completed as the Company moves from domestic to export sales.

The current arrangement of delivering un-processed oil to a local facility has certain capacity constraints that make it unviable for the Company's future needs. The Company is seeking an arrangement to initially use rail transport to the Atyrau refinery. Initially the transportation of smaller volumes may incur an increased transportation charge, this will be reviewed once production volumes have increased and the consistency of oil quality is optimised.

Gross pricing is expected to remain consistent with current domestic sales but the new arrangement is likely to see the price per barrel, after deducting transport and processing costs, reduce to ~\$US41/barrel (from ~\$US46/barrel) in the short term. The focus will be to move to pipeline sales as soon as is practical, thereby reducing transport costs and improving the net price/barrel achieved in the domestic market.

Going forward, updates on oil sales will form part of our quarterly reports.

### **Fully Underwritten Rights Issue:**

In July the Company completed a fully underwritten pro-rata non-renounceable entitlement issue of 1 fully paid ordinary share in the capital of the Company for every 4 Shares at an issue price of \$A0.40 per Share, raising \$A11,613,016 before costs (the "Offer").

The Offer was fully underwritten by Waterford Petroleum Limited (Waterford) and Soyuzneftegas Capital Limited ("SNG"). The shortfall was ~35% and this shortfall was distributed between Waterford and SNG. Post the closure of the Offer, SNG also announced the conversion of their \$US3.45m Convertible Notes in exchange for the issue of 8,215,000 shares.

Post distribution of the shortfall and the conversion of the Convertible Notes, Waterford announced their holding had increased to 29.5% and SNG announced their holding was 19.8%, meaning that the Company's two cornerstone investors now hold ~50% of the shares in issue.

### **Annual General Meeting:**

On 9 October 2012 the Company lodged a Notice of Annual General Meeting (AGM) and an accompanying Explanatory Statement. The AGM is scheduled to be held on 9 November 2012 in Perth and shareholders are welcome to attend.

### **Annual Report:**

On 26 September the Company lodged its Annual Report for the period to 30 June 2012. A copy of the Annual Report has been mailed to shareholders and is also available on the Jupiter Energy website. ([www.jupiterenergy.com](http://www.jupiterenergy.com))

### **Capital Management:**

With the proceeds from the August 2012 Rights Issue and with further sales of oil from the producing wells, the Company is now fully funded to complete the drilling of J-58 during the second half of 2012 and to implement the necessary topside infrastructure to bring the J-51 and J-53 wells onto trial production currently expected by the end of the year.

The directors are currently reviewing a range of options for financing the further development of the East Akkar field during 2013 and beyond to the stage where export oil sales are being achieved and further development of the field is self-funding.

### **Capital Structure and Finances:**

As at 30 September 2012, the Company had 153,377,693 listed shares trading under the ASX ticker "JPR" and AIM ticker "JPRL". The Company had 866,669 unlisted options on issue all expiring on 31 December 2012 with exercise prices between \$A1.50 and \$A2.775. The Company also had on issue a total of 2,133,335 unvested Performance Rights. These Performance Rights expire on 31 December 2013.

Unaudited net cash reserves as at 30 September 2012 totalled approximately \$A7.18m. Capital commitments, net of anticipated oil sales for the remainder of the year, total approximately \$A5.7m.

### **Summary:**

The quarter saw continued progress towards the goal of developing Jupiter Energy into a full cycle E&P company with a growing production profile and material reserves.

If shareholders have any questions regarding this quarterly report they are welcome to contact the Company on +61 89322 8222.

Geoff Gander  
Chairman/CEO

**ENDS**



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**Competent Persons Statements:**

Keith Martens, BSc Geology and Geophysics, with over 35 years' oil & gas industry experience, is the qualified person who has reviewed and approved the technical information contained in this report.

**Independent Analysis:**

The information in this announcement which relates to the Mid Triassic prospectivity is based on information compiled by Reservoir Evaluation Services LLP ("RES"), a Kazakh based oil & gas consulting company that specialises in oil & gas reserve estimations. RES 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 Mid Triassic prospectivity. RES has given and not withdrawn its written consent to the inclusion of the Mid Triassic prospectivity figures in the form and context in which they appear in this announcement. RES has no interest in the Company.

**About the Company:**

Jupiter Energy Limited is an oil exploration and production company, quoted on both the AIM and ASX markets. The Company is focused on developing its onshore assets in western Kazakhstan. In 2008 the Company acquired 100 per cent of the Block 31 permit, located in the oil-rich Mangistau Basin, close to the port city of Aktau.

Jupiter has a proven in-country management team, led by an experienced, international Board, together possessing the skills, knowledge, network and attention to detail needed to operate successfully in Kazakhstan. The forward plan will see Jupiter develop a group production facility on Block 31 to process, store and export oil. This surface infrastructure is a key element in moving to long-term production and the achievement of self-funding for further development of Block 31.