

30 October 2015

Jupiter Energy Limited ("Jupiter" or the "Company")

## **QUARTERLY UPDATE ON ACTIVITIES FOR THE PERIOD TO 30 SEPTEMBER 2015**

### **KEY POINTS:**

- **All producing wells have been shut in since February 2015 and will remain closed until domestic oil pricing reaches a level where oil production is cashflow positive.**
- **Discussions continue with relevant parties regarding the resolution of the Akkar North division of Reserves.**
- **Annual Report released on 30 September 2015.**
- **A further \$US0.5m in funding provided by major shareholder Waterford Petroleum on 08 October 2015 under the existing Funding Framework Agreement**

Jupiter Energy Limited (ASX: "JPR", AIM: "JPRL" and KASE: "AU\_JPRL") presents the following update on activities for the 3 month period ending 30 September 2015 (the "Quarter"). Also included in this report are details of subsequent events that have occurred up to the date of this release.

### **The Quarter in brief:**

There were no oil sales made during the Quarter. All producing wells were shut in during February 2015 due to low domestic oil prices.

### **Outlook for Future Oil Sales:**

The Company announced on 19 February 2015 that as a result of the material reduction in world oil prices, the sales price being achieved for domestic oil in

Kazakhstan had fallen to levels that made oil production from Block 31 cashflow negative.

The Company therefore decided to cease production from both of its producing Akkar East wells (J-51 and J-52) until the domestic oil price improved. The Company continues to monitor local pricing on an ongoing basis, and believes that production may recommence in the 2nd Quarter 2016 but is unable to give any guarantee that oil production will recommence in that timeframe.

The Company has restructured its operations accordingly and overall monthly operating costs have been reduced by ~40% providing an annual saving in running costs of over \$US2 million.

### **Funding Update:**

On 30 April 2015 the Company signed a Framework Agreement with a substantial shareholder, Waterford Petroleum Limited (Waterford). Waterford agreed to provide the Company with a further \$US5m over and above the \$US5m Promissory Note dated October 2014 (to a total of \$US10m). The funds will provide the Company with additional working capital via the issuance of promissory notes. Funds will be released as requested by the Company, subject to the approval by Waterford of a Care & Maintenance budget.

Based on management forecasts, the Company has sufficient working capital, including its access to the remaining funding under the Framework Agreement, for the 2015 calendar year. The Company continues to seek a longer term funding package that will enable the commencement of the 2015/16 drilling program.

### **West Zhetybai Trial Production Licences (wells J-58 and J-59):**

Progress continued to be made during the Quarter in relation to the granting of Trial Production Licences for the J-58 and J-59 wells, with all regulatory approvals now having been obtained.

The next stage is to get the surface production infrastructure in place for both the wells. This equipment will need to be purchased and funding is not available at this time to complete the acquisition of the equipment required.

The Company will keep shareholders updated on progress.

### **Extension of J-50 Trial Production Licence:**

The Company advised shareholders on 28 November 2014 that the application to extend the Trial Production Licence for well J-50 was being held by the Kazakh

Committee of Geology pending resolution of the allocation of reserves associated with the well.

The J-50 well has been shut in since 29 December 2014 (the date at which the last Trial Production licence expired).

The underlying issue delaying the Trial Production Licence renewal is the demand by the Committee of Geology that Jupiter Energy reach agreement with its neighbour MangistauMunaiGas (MMG) over the division of reserves associated with both companies' share of the Akkar North accumulation. Jupiter Energy has been in dialogue with MMG on this issue for some time but has been unable to reach formal agreement with MMG with respect to the division of Akkar North reserves.

The Company continues to try and bring the matter to a satisfactory conclusion and will keep shareholders updated on this situation.

### **Forward Plan – Operations:**

The Company has been experiencing delays in progressing the development of Block 31 over the past nine months due to constraints on several fronts.

As outlined in this report, oil production has been shut-in and will remain so until such time that domestic oil pricing becomes cash flow positive. The Company believes that using a revised cost structure for the topside equipment, i.e. purchase rather than rent, and achieving increased oil production with the addition of wells J-58 and J-59, this may be possible by sometime during the 2<sup>nd</sup> quarter of 2016, however the timing of this is dependent on the recovery in pricing for domestic oil sales.

Subject to obtaining the requisite funding, the Company plans to continue with its drilling program as soon as it is possible. It is unlikely that there will be any drilling carried out in 2015 and at this stage two wells are planned for 2016. The continued use of limited unsecured debt to fund the Company has been driven by the fact that the Company has been unable to get the required permission from the Ministry of Energy (the Waiver) to raise equity through the issue of new shares. The Board has been advised by convertible note and promissory note holder Waterford Petroleum and the other convertible note holders that funding via equity is their preferred structure and they continue to urge the Company to pursue the granting of a Waiver as soon as possible.

The Company has already sent a request to the Ministry of Energy asking that the timing for completing the drilling program for 2015 be extended into 2016 and a formal application for an Extension to the Exploration Licence will be submitted to the Ministry of Energy during the 4<sup>th</sup> quarter of 2015. The Company will be seeking an extension of the Exploration Period through to 29 December 2019.

Of the two 2016 wells, one well is intended to be located on Akkar East in an area of C2 reserves. This appraisal well (J-57) would be drilled as part of the process of preparing the Akkar East Final Reserves Report for the relevant Kazakh authorities. Approval of the Akkar East reserves will, in turn, allow the Company to move forward with the approval process to begin building of the Full Field Development infrastructure for the Akkar East field, subject again to obtaining the requisite financing.

The second well would be an exploration well on the north east area of the permit (J-54). The J-54 prospect is a large structural closure mapped using 3D seismic to the north of the producing Akkar East field. The Company believes the prospect is a separate field and the hypothesis is that it is structurally up dip of Akkar East.

The Company considers that the main risk associated with the J-54 well is the presence of an adequate top seal to trap oil. Assuming success, the Company believes that the reservoir quality and flow rates should be similar to that found in the Akkar East field.

### **Licence Information:**

As is required under ASX disclosure rules, the Company confirms that it currently holds the following licence:

Country	Block / Licence	Interest held as at 30 June 2015	Interest acquired / disposed of during the Quarter	Interest held as at 30 September 2015
Kazakhstan	Block 31	100%	Nil	100%

### **Annual Report:**

On 30 September 2015 the Company released its Annual Accounts for the year ended 30 June 2015.

In summary, the results reflected the decrease in oil revenues due to production being shut in from 10 February 2015 and the lack of activity on the permit due to funding constraints and the delay in gaining approval from the Ministry of Energy to raise capital via the issue of new shares.

A copy of the Annual Report can be found on the Jupiter Energy website.

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

As at 30 September 2015, the Company had 153,377,693 listed shares trading under the ASX ticker "JPR", the AIM ticker "JPRL" and the KASE ticker "AU\_JPRL".

The Company has no options or Performance Shares, listed or unlisted, on issue.

On 30 April 2015 the Company reached agreement with substantial shareholder Waterford Petroleum to roll over the existing \$US5m promissory note and all accrued interest and provide up to a further \$US5m in working capital to the Company via the issue of further promissory notes. As at 30 September 2015, the total drawn down from the Waterford \$US10m facility stood at \$US7.85m.

Unaudited net cash reserves as at 30 September 2015 stood at approximately \$A0.347m. Based on the current Care & Maintenance budget, the further \$US500,000 received from Waterford in October 2015 will fund the Company during the 4<sup>th</sup> quarter of 2015.

The Directors of the Company continue to defer their Directors' Fees until such time that the Company has an improved cashflow.

**Summary:**

Progress during the Quarter continued to be constrained but sufficient working capital is in place to enable the Company to work towards resolving its longer term funding requirements.

If shareholders have any questions regarding this Quarterly report they are welcome to contact the Company on +61 89 322 8222.

Geoff Gander  
Chairman/CEO

**ENDS**

**Enquiries:**

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**Competent Persons Statement:**

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.

**About the Company:**

Jupiter Energy Limited is an oil exploration and production company, quoted on the AIM, ASX and KASE 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 topside infrastructure is a key element in moving to long-term production and the achievement of self-funding for further development of Block 31.