

25 January 2021

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

**QUARTERLY UPDATE ON ACTIVITIES FOR THE PERIOD TO 31 DECEMBER  
2020**

**KEY POINTS:**

- **Unaudited oil sales revenue (including VAT) during the Quarter totalled approximately ~\$US905,000 (49,600 barrels of oil).**
- **The Akkar North (East Block) Final Reserves Report was approved during the Quarter and trial production from the J-50 well ended in late December 2020. The approval process to transition the field into Commercial Production (under Preparatory Period restrictions) has now commenced. It is expected this approval process will not be completed until late 2Q 2021.**
- **Oil continues to be sold via a prepayment contract with a local oil trader with all oil to be sold into the Kazakh domestic oil market.**
- **VTB Capital continues its Strategic Review of the Kazakh operations and in particular the evaluation of possible funding options to enable the ongoing development of Block 31.**
- **During the Quarter there were changes to the Board and a new CFO and Company Secretary appointed. The Company also changed the address of its Registered Office and its main contact phone number.**

Jupiter Energy Limited (ASX: "JPR") presents the following update on activities for the 3 month period ending 31 December 2020 (the "Quarter"). Also included in this report are details of any subsequent events that have occurred up to the date of this release.

**The Quarter in brief:**

During the Quarter, trial production continued from wells J-50 and J-58. Wells J-51, J-52 and 19 continued constrained commercial production as regulated by "Preparatory Period" restrictions.

The J-51, J-52 and 19 wells are all located on the Akkar East field. J-58 is located on the West Zhetybai field and J-50 is located on the Akkar North (East Block) field.

### **Oil Sales:**

During the Quarter unaudited oil sales revenue (including VAT) totalled ~\$US905,000 (~\$A1.167m) based on sales of approximately 49,600 barrels of oil (average price of ~\$US18.25/bbl). Kazakh domestic oil pricing reflected the worldwide oil prices during the Quarter.

Cash receipts for the Quarter were ~\$A817,000. The variance between revenue recognised and cash receipts is due to the timing of the receipt of oil prepayments that are then amortised over several months of oil deliveries.

All oil was sold into the Domestic market, as is required by Kazakh laws, when wells are either producing under a Trial Production Licence or during the "Preparatory Period" of a Commercial Production Licence.

Approximate production of oil, by well, for the Quarter was as follows:

J-50: 9,600 barrels

J-58: 26,400 barrels

J-51, J-51 and Well 19: 13,600 barrels (flow rates of these 3 wells were constrained due to Preparatory Period restrictions and thus limited to cumulative production of ~150 barrels per day)

### **Preparation of the Akkar North (East Block) oilfield to transition into Commercial Production:**

As previously announced, the Akkar North (East Block) oilfield (J-50 well) was able to produce under Trial Production until the end of December 2020.

During the Quarter, the Company had its Final Reserves Report for the Akkar North (East Block) approved by the Kazakh Committee of Geology. The approval of the Final Reserves Report was a key step in transitioning the Akkar North (East Block) field to Commercial Production. The next step in this process will be to obtain the other necessary approvals to produce oil from the field during the "Preparatory Period".

As covered in earlier announcements, the "Preparatory Period" allows an operator to transition between Trial Production (during which time excess gas from production can be flared) to Commercial Production, when an operator must have access to the

requisite infrastructure to provide for 100% utilisation of all excess gas produced whilst wells are in production.

During the "Preparatory Period", the Company can produce from wells located on the Akkar North (East Block) field without having the requisite gas utilisation infrastructure in place, as long as all excess gas that is produced during production is used on the field for power, heating and the like. Currently there is one well located on the Akkar North (East Block) field: J-50.

The requirement to be able to utilise all the excess gas from production means that when the J-50 well does return to production, the well will not be able to produce at full capacity as the gas that would be produced if the well was operating at full capacity would be more than can be utilised on the field. Instead, the J-50 well is expected to operate at about ~30% of capacity (meaning that it will produce at ~35 barrels per day).

### **Commercial Production from the Akkar East oilfield:**

All the necessary regulatory approvals to enable the Akkar East oilfield to transition from Trial Production (under Jupiter Energy's Exploration Licence) to Commercial Production (under Jupiter Energy's Commercial Production Licence) have been completed and during the Quarter constrained production from wells J-51, 52 and 19 amounted to a cumulative total of ~150 barrels per day. The rules for constrained production are governed by the restrictions set for operating under the Preparatory Period regime, as covered earlier in this report.

The key criteria to operate under a Commercial Licence without restrictions is the requirement to have the requisite infrastructure installed to enable 100% gas utilisation to take place – 100% gas utilisation means that all excess gas produced during production is used as no flaring of gas at the wellhead is permitted.

Infrastructure requirements for operating under full Commercial Production at the Company's oilfield would include either getting access to a Central Processing Facility and a Gas Separation Plant situated at a neighbouring producer or building this equipment on site. The Company does not currently have this infrastructure in place and continues to discuss potential infrastructure sharing options with other operators in the area.

### **Forward Plan for the West Zhetybai oilfield:**

It is Jupiter Energy's intention to transition the West Zhetybai oilfield to Commercial Production when its Trial Production Licences expires at the beginning of September

2021. The current plan is to transition the West Zhetybai oilfield to Commercial Production under the Preparatory Period restrictions during the 4<sup>th</sup> Quarter of 2021.

In order for West Zhetybai oilfield to make this transition to Commercial Production a Final Reserves Report will need to be approved for the field and the field will then need be granted all the other necessary approvals to produce during the “Preparatory Period”.

The Company is currently evaluating what additional field work will need to be completed during 1H 2021 before its Final Reserves Report is completed.

### **Strategic Review:**

As announced on 22 December 2020, the Company is continuing with its Strategic Review process. A number of parties have opened discussions with the Company over the past months and there are a number of different options being considered in terms of how to best continue the future development of Jupiter Energy’s licence area in Kazakhstan.

Engaging with some of the parties now in discussion took more time than was originally anticipated and it is therefore unlikely that there will be a conclusion to the Strategic Review process before the end of the 1st Quarter 2021.

The Board is confident that several options will proceed to the next stage of discussions and it is now the expectation that a preferred path, that is focused on maximizing future value for both Jupiter Energy’s shareholders and bondholders, will be available for consideration by the Board in the coming months.

The Company will keep shareholders updated on progress with the Strategic Review.

### **Forward Drilling Plan:**

The Company is currently reviewing its drilling program for 2021 as well as field operations in general.

As outlined in the Annual Accounts lodged on 07 October 2020, the Company has received a commitment to increase the funding available under its 2017 Funding Agreement with Waterford Finance & Investment Limited by a further \$US6m and this money is intended to be used to complete the field work required prior to the completion of the West Zhetybai Final Reserves Report.

A lack of further drilling could mean some of the West Zhetybai Contract Area is relinquished.

### **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 September 2020	Interest acquired / disposed of during the Quarter	Interest held as at 31 December 2020
Kazakhstan	Contract 2275	100%	Nil	100%

### **Payments to Related Parties:**

Payments made to related parties and their associates during the Quarter were:

- Fees paid to Geoff Gander, Baltabek Kuandykov and Alexey Kruzhkov for Consulting Services provided to the Company; and
- Professional Fees paid to Grange Consulting for financial management and company secretarial services, in addition to office rent. Grange Consulting is an entity in which Phil Warren, a Non Executive Director of the Company until 24 November 2020, has a relevant interest.

### **Annual General Meeting:**

The Company's 2020 Annual General Meeting (AGM) was held virtually on 24 November 2020 and all Resolutions were passed on a pole.

At the conclusion of the AGM, Phil Warren stepped down from the Board and was replaced by Mark Ewing. Details of these changes were announced to shareholders on 9 November 2020.

Other corporate changes during the Quarter, as announced on 16 November 2020 and 24 November 2020, were the appointment of a new Chief Financial Officer and Company Secretary as well as a change to the address of the Company's registered office.

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

As at 31 December 2020, the Company had 153,377,693 listed shares trading under the ASX ticker "JPR".

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

As at 31 December 2020, total Company debt outstanding (principal + accrued interest) stood at approximately \$US63.19m through the following funding agreements:

	<b>US\$</b>
2017 Funding Agreement (max \$US5m + an additional commitment of up to \$US11m)	5.62m
2016 Funding Agreement (max \$US5m+overrun)	5.64m
Refinanced Series B Promissory Note	16.73m
Refinanced convertible notes	35.2m
	<b>\$US63.19m</b>

The repayment dates for the outstanding Convertible Notes is 1 July 2022.

In terms of available short term funding: As at 31 December 2020, the Company had drawn down \$US5.62m<sup>1</sup> under the 2017 Funding Agreement. Based on a total of \$US11m being available under this Agreement, \$US5.38m is still available.

As at 31 December 2020, the 2016 Funding Agreement had been fully drawn and had an overrun of \$US0.64m. This overrun will be funded by the 2017 Funding Agreement, meaning that the total additional funding amount available to the Company, as at 31 December 2020, is a nett \$US4.74m.

### **Operations Budget:**

The Company continues to operate under an approved Operations Budget using the combined net revenues from prepaid oil sales and the remaining debt facility available (and committed) through the 2017 Funding Agreement.

The Company expects to remain funded at an operational level based on current and forecasted oil production, under differing well production scenarios well into 2021.

Future drilling work will require access to additional working capital which has now been committed by Waterford Finance & Investment Limited as well as securing deferred payment terms with a local Kazakh turnkey drilling operator and/or prepayment of additional oil sales by the local trader.

<sup>1</sup> Including accrued interest

Unaudited net cash reserves as at 31 December 2020 stood at approximately \$A0.319m.

**Summary:**

Progress during the Quarter was bolstered by the approval of the Akkar North (East Block) Final Reserves Report. This approval enables the Akkar North (East Block) oilfield to commence the transition into Commercial Production.

Unaudited revenue from oil sales (including VAT) for the Quarter amounted to ~\$US905,000 (~\$A1.167m) which was secured via prepayments from a local oil trader.

Cash receipts for the Quarter were ~\$A817,000. The variance between revenue recognised and cash receipts is due to the timing of the receipt of oil prepayments that are then amortised over several months of oil deliveries.

The Company has now begun the approval process of transitioning the Akkar North (East Block) oilfield from Trial Production to Commercial Production.

The Company, working with JSC VTB Capital, continues with the Strategic Review of its operations and will keep shareholders informed of material progress.

If there are any questions regarding this Quarterly report, shareholders are welcome to contact the Company on +61 3 9592 2357.

Geoff Gander  
Chairman/CEO

**ENDS**

*Authorised by the Board of Jupiter Energy Limited*

**Competent Persons Statement:**

Alexey Glebov, PhD, with over 33 years' oil & gas industry experience, is the qualified person who has reviewed and approved the technical information contained in this report. Alexey PhD's in technical science (1992) and geology science (2006), an Honors Degree in Geology and Geophysics (1984) from Novosibirsk State University and a Gold Medal (1985) from USSR Academy of Sciences. He is a member since 2001 of the European Association of Geoscientists & Engineers (EAGE #M2001-097) and



was made an Honorary Oilman in 2011 by the Ministry of Energy of the Russian Federation. Alexey Glebov is qualified in accordance with ASX Listing Rule 5.41.

### **About the Company:**

Jupiter Energy Limited is an oil exploration and production company, quoted on the ASX. 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 (Contract 2275), 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 gain access to a group production facility 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.

### **About JSC VTB Capital:**

JSC VTB Capital is part of the VTB Group, the Russian financial conglomerate, made up of more than 20 credit and financial companies operating in all segments of financial markets.

Between 2016-2019, VTB Capital advised on ~US\$38bn of oil & gas transactions and during that time also successfully executed a large number of transactions with companies from Kazakhstan in a wide range of investment banking products, including capital market transactions, M&A advisory, financing and the like.