

29 July 2022

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

## **QUARTERLY UPDATE ON ACTIVITIES FOR THE PERIOD TO 30 JUNE 2022**

### **KEY HIGHLIGHTS:**

- **Unaudited oil sales revenue (including VAT) during the Quarter ending 30 June 2022 totalled approximately ~\$US838,400 (~19,800 barrels of oil).**
- **All oil continues to be sold into the Kazakh domestic oil market, as required under Preparatory Period restrictions.**
- **The Company has made positive progress with regards the implementation of its 100% Gas Utilisation Plan (the Plan).**
- **Funding for the purchase of five gas to electricity generators has been secured and the equipment is expected to be delivered early 1Q 2023. The purchase was funded from operations. Post approval of the Plan and installation of the generators, the Company expects to return to optimal production levels of ~100 tonnes (~750 barrels) per day.**
- **The approval process to transition the West Zhetybai oilfield into Commercial Production continues.**
- **The Joint Field Development Plan (JFDP) for a small section of the West Zhetybai field, prepared in collaboration with neighbour Ushkuyu LLP, remains under review by the Kazakh Ministry of Energy.**
- **The Company has received approval from the Kazakh Ministry of Energy to issue new shares. This approval is valid until 30 June 2023.**

- **The Company continues with its Strategic Review process. It is expected that material progress will not be made until after Jupiter has installed its 100% Gas Utilisation infrastructure.**

Jupiter Energy Limited (ASX: "JPR") presents the following update on activities for the 3-month period ending 30 June 2022 (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, there was no production from well J-58, located on the West Zhetybai field. The J-58 well was shut in as the approval process to transition the West Zhetybai oilfield to Commercial Production continued. It is now expected that this approval process will be completed in 4Q 2022 and the well's return to production will be part of the implementation of 100% gas utilisation on the West Zhetybai field.

Wells J-51, J-52 and 19 continued constrained Commercial Production as regulated by "Preparatory Period" restrictions. These wells are located on the Akkar East field.

The J-50 well, located on the Akkar North (East Block) also continued constrained Commercial Production as regulated by "Preparatory Period" restrictions.

### **Oil Sales:**

During the Quarter unaudited oil sales revenue (including VAT) totalled ~\$US838,400 (~\$A1.198m) based on sales of approximately 19,800 barrels of oil (average price of ~\$US42/bbl). Kazakh domestic oil pricing reflected the worldwide oil prices during the Quarter.

Cash receipts for the Quarter were ~\$A1.235m. 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 producing during the "Preparatory Period" of a Commercial Production Licence.

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

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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 any well, or wells, located on fields with an approved Commercial Production Licence without having the requisite gas utilisation infrastructure in place, only if all excess gas that is produced during production is used on the field for power, heating and the like. Jupiter's production is therefore constrained to ensure all excess gas that is produced is used on the field in this manner.

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

- J-50: **5,800 barrels** (the flow rate of this well was constrained due to Preparatory Period restrictions and thus limited to daily production of ~8 tonnes/~65 barrels per day)
- J-51, J-52 and Well 19: **14,000 barrels** (flow rates of these 3 wells were constrained due to Preparatory Period restrictions and thus limited to cumulative production of ~21 tonnes/~150 barrels per day).
- J-58: **NIL** (the well is shut in as the West Zhetybai oilfield undergoes the approval process to transition to its Commercial Production Licence).

### **The transition of the West Zhetybai oilfield to Commercial Production:**

The West Zhetybai oilfield has been shut in since 31 August 2021, when the approval process to transition the field to Commercial Production began.

It is expected that the approval process will now be completed during 4Q 2022 and the wells return to production will form part of the installation of 100% gas utilisation infrastructure on the West Zhetybai field during 1Q 2023. The J-58 well should therefore resume production, assuming operation under 100% gas utilisation conditions, at its optimal rate of ~30 tonnes (225 barrels) per day, during 1Q 2023.

### **West Zhetybai Oilfield - Joint Development Plan:**

A small part of the West Zhetybai oilfield has an accumulation that is located on an area that is licenced under two separate contracts – one is held by Jupiter Energy and the other is held under licence by Jupiter Energy's neighbour, Ushkuyu LLP (formerly known as Ansagan Petroleum LLP).

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The parties submitted the Joint Field Development Agreement for this area in April 2022 and it remains under review by the Kazakh Ministry of Energy.

The Company will keep shareholders updated with any material progress with this Agreement.

### **Progress with implementation of 100% Gas Utilisation Plan:**

On 26 July 2022 the Company released an update with regards the implementation of its 100% Gas Utilisation Plan (the Plan).

The Company confirmed that it had secured funding for the purchase of the Stage 1 gas utilisation equipment and that five gas to electricity generators would be now ordered.

Stage 1 will be based on a decentralised configuration, with a gas to electricity generator being installed at each producing well head. The solution is cost effective, reasonably simple to install and will enable the Company to return all five (5) wells to optimal production in the shortest possible timeframe.

The equipment will be ordered from a Chinese manufacturer and generators are scheduled to be delivered to the field(s) during 1Q 2023 and will be installed as soon as feasible after delivery.

The purchase of the gas to electricity generators will be funded from operations through a \$US1.3m prepayment from Jupiter's local Kazakh oil trader. The \$US1.3m prepayment will be offset against additional oil sales that are expected to result from the increased production achieved when the 100% Gas Utilisation infrastructure becomes operational.

Oil sales between now and the return to optimal production will continue under the normal prepayment conditions based on ~30 tonnes (225 barrels) per day production, ensuring that cashflow from operations, when combined with the additional \$US1.3m prepayment, should provide the necessary day to day funding to support the business, without the need to access other funding facilities that the Company has available.

It is expected that pricing for domestic oil will be ~\$US30 per barrel for the foreseeable future and cashflow forecasts have been prepared on this basis.

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### **Update on Debt Restructure Plan:**

On 04 March 2022, the Company announced that it had reached agreement in terms of the parameters for a significant restructure of the existing debt held with all four (4) of its Noteholders.

The Agreements were based on the following terms:

- The Company to pay each Noteholder 20% of their total debt outstanding in cash at the settlement date
- The Noteholder to convert 30% of their total debt outstanding to new shares in the Company at the settlement date
- The Noteholder to write off the remaining principal and all accrued interest – equivalent to 50% of their total debt outstanding at the settlement date

In order for the Company to fund the contemplated debt payout, the Company advised that it intended to raise fresh equity via the issue of new shares (**Capital Raising**).

The debt restructure is subject to the following conditions precedent:

- completion of the Capital Raising; and
- receipt of all relevant ASX and Kazakh regulatory approvals.

The Company can confirm it has received approval from the Kazakh Ministry of Energy to issue new shares and this approval is valid until 30 June 2023.

The Company will keep shareholders updated on progress with the Capital Raising, including progress with any necessary shareholder approvals.

### **Strategic Review Update:**

Jupiter Energy continues to evaluate various opportunities for new sources of funding and as part of its ongoing Strategic Review, the Company will also reassess whether any other opportunities exist to maximise value for its shareholders.

### **Forward Drilling Plan:**

The Company does not plan to commence any new drilling until 2023.

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### **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 31 March 2022	Interest acquired / disposed of during the Quarter	Interest held as at 30 June 2022
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.

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

As at 30 June 2022, 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 30 June 2022, total Company debt outstanding (principal + accrued interest) stood at approximately \$US72.86m through the following funding agreements:

<b>Funding Arrangements</b>	<b>US\$</b>
2017 Funding Agreement (max \$US5m + an additional commitment of up to \$US11m)	7.61m
2016 Funding Agreement (max \$US5m + overrun)	6.42m
Refinanced Series B Promissory Note	18.96m
Refinanced convertible notes	39.87m
	<b>\$US72.86m</b>

In terms of available short-term funding, as at 30 June 2022, the Company had drawn down \$US7.61m<sup>[1]</sup> under the 2017 Funding Agreement. Based on a total of \$US16m being available under this Agreement, ~\$US8.39m is still available.

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<sup>[1]</sup> Including accrued interest

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As at 30 June 2022, the 2016 Funding Agreement had been fully drawn and had an overrun of \$US1.42m. This overrun will be funded by the 2017 Funding Agreement, meaning that the total additional funding amount available to the Company, as at 30 June 2022, is a net amount of ~**\$US6.19m**.

### **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, for the foreseeable future.

Procurement of the Stage 1 Gas Utilisation Infrastructure will be funded from operations.

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

Unaudited net cash reserves as at 30 June 2022 stood at approximately \$A1.281m.

### **Summary:**

Progress during the Quarter was positive.

Unaudited revenue from oil sales (including VAT) for the Quarter amounted to ~\$US838,400 (~\$A1.198m) which was secured via prepayments from a local oil trader.

Cash receipts for the Quarter were ~\$A1.235m. 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 made good progress with its plans to implement 100% Gas Utilisation, which is now expected to be achieved during 1Q 2023. Funding for the purchase of five gas to electricity generators has been secured. These generators are an integral part of the infrastructure that is required to implement the 100% Gas Utilisation Plan.

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The Company continues to work through the approval process to transition the West Zhetybai oilfield from Trial Production to Commercial Production.

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.

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