

18 October 2013

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

## **QUARTERLY UPDATE ON ACTIVITIES FOR THE PERIOD TO 30 SEPTEMBER 2013**

### **KEY POINTS:**

- **Approximately 60,600 barrels of oil was produced during the Quarter, generating domestic oil sales of ~\$US2.02m at an average price of ~\$US33.30 per barrel at the well head.**
- **Oil sales target for calendar year 2013 remains ~\$US8.4m based on expected sales of approximately 265,000 barrels of oil.**
- **Block 31 C1+C2 reserves: Independently estimated by Reservoir Evaluation Services (RES) using the approved Kazakh reserve classification system:
  - **C1+C2 reserves of ~102.5 mmbbls, an increase of ~280% from previously announced C1+C2 reserves**
  - **C1 reserves of ~17 mmbbls**
  - **C2 reserves of ~85.5 mmbbls**
  - **Reserves estimates have been submitted for review and approval by the relevant Kazakh authorities.**
  - **Akkar East: C1+C2 reserves for the Akkar East oilfield (including the J-50 well area) estimated at ~41.2 mmbbls. Reserves have been attributed to the T3<sup>1</sup>, T3<sup>2</sup>, T2A and T2B horizons.**
  - **Southern Extension (known locally as West Zhetybai): C1+C2 reserves for the West Zhetybai accumulation estimated at ~61.3 mmbbls. Reserves have been attributed to the T3<sup>1</sup>, T3<sup>2</sup>, T2A and T2B horizons.****
- **Competent Persons Report (CPR): McDaniel & Associates have completed an estimation of the reserves, under SPE/PRMS standards, based on oil production from the mid-Triassic horizon of Block 31.
  - **McDaniel estimated T2B reserves of 9.7 mmbbls (proven), 19.2 mmbbls (proven+probable) and 28.7 mmbbls (proven+probable+possible).****

- **McDaniel estimated the pre-tax Net Present Value of the proved+probable mid-Triassic reserves, using a discount rate of 10%, as \$US305m.**
- **Forward operations to focus on remedial work on the J-53 well and additional testing on the J-59 well during 4Q 2013/1Q 2014.**
- **\$US6.5mm of Convertible Notes issued in September resulting in net cash proceeds of ~\$US3.3m after fees and repayment of \$US3m of Promissory Notes.**
- **Approval from Kazakh authorities to enable Jupiter Energy shares to list on the Kazakh Stock Exchange (KASE).**

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 2013 (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:**

Trial Production oil sales for the Quarter came from the J-51 and J-52 wells. Over 60,600 barrels of oil were sold in the domestic market during the Quarter, achieving approximately \$US2.02m in sales at an average price of \$US33.30 per barrel and based on an average production rate of 673 barrels of oil per day (bopd). All oil was sold on a pre-paid basis.

### **Operations in Detail:**

#### **AKKAR EAST**

##### **J-50 (Trial Production):**

As already previously announced, Kazakh regulations require the Company to obtain an amendment to the current J-50 Trial Production Licence to permit the increased emission level associated with the increased rate of oil production from the well. Production is not expected to recommence until January 2014.

##### **J-51 (Trial Production):**

The average daily flow rate from the J-51 well for the Quarter was ~320 bopd with all oil produced being sold into the domestic market. Water cut from the well remains at <1%. A total of approximately 29,000 barrels of oil was produced from the J-51 well during the Quarter, generating approximately \$US0.96m in sales.

J-52 (Trial Production):

The average daily flow rate from J-52 during the Quarter was ~350 bopd with all oil produced being sold into the domestic market. Water cut from the well remains at <1%. A total of approximately 32,000 barrels of oil was produced from the J-52 well during the Quarter, generating approximately \$US1.06m in sales.

J-53 Well (Approved for Trial Production):

The well is currently shut in and it is expected that further remedial work will be carried out on the well during the 4<sup>th</sup> quarter of 2013 in order that it can be placed on commercial production.

The Company has received approval for J-53 to produce under Trial Production.

**WEST ZHETYBAI (SOUTHERN EXTENSION AREA)**

J-55 Well:

Work on J-55 is currently suspended post completion of the 90 day test period. An application for a Trial Production Licence for the well is currently being prepared.

J-58 Well:

Work on J-58 is currently suspended post completion of the 90 day test period. An application for a Trial Production Licence for the well for the well is currently being prepared.

J-59 Well:

The Company intends to carry out additional testing on this well. The timing of this work is expected to be post the completion of remedial work on the J-53 well.

**Forward Plan – Operations:**

The Company will focus on carrying out further remedial work on the J-53 well and additional testing on the J-59 well during the 4<sup>th</sup> quarter of 2013 and 1<sup>st</sup> Quarter 2014.

As a result, the drilling of the J-54 exploration well has been deferred until 2014.

The J-54 prospect is a large structural closure mapped using 3D seismic to the north of the producing East Akkar field. The prospect is believed to be a separate field and the prognosis is that it is structurally up dip of Akkar East.

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

### **Oil Sales:**

Oil sales are currently being completed through two local trading companies; the Company continues to investigate new markets for the sale of its oil from the Block 31 wells. Going forward it is hoped that oil sales utilizing rail transport can be replaced with sales directly into the pipeline or sales can be made to a refinery nearer the field. Both of these strategies would reduce transportation costs and improving the overall netback per barrel achieved in the domestic market.

Forecasted revenues for the final quarter of 2013 should see the 2013 calendar year sales total approximately \$US8.4m, with oil sales during the 4<sup>th</sup> quarter coming from Trial Production revenue from the J-51 and J-52 wells.

### **Update to Reserves and Resource Estimations:**

On 11 September 2013 the Company announced the details of three independent reserve estimations that had been carried out on the various accumulations on the Block 31 permit.

Two of these reports were State Reserve Reports prepared by independent consulting firm RES. The first of these reports was the Akkar East Reserves Report and this report was prepared as part of the process of moving the Akkar East field into Full Field Development. This review of the Akkar East field was a follow on to the 2012 Preliminary Reserves report prepared by RES submitted as part of the process required to enable the J-50, J-51, J-52 and J-53 wells to be granted their respective Trial Production Licences (TPL's). The Preliminary Reserves report was approved by the Kazakh authorities in June 2012.

The second report was the Southern Extension area (known locally as West Zhetybai) Preliminary Reserves Report and this report is the first step towards the granting of TPL's for the J-55, J-58 and J-59 wells.

In summary, the Akkar East accumulation covers the area delineated by the J-51, J-52 and J-53 wells and the Oil-In-Place (OIP) for this area has been estimated at ~129 mmbbls with recoverable reserves estimated at ~32.6 mmbbls. The C1 reserves have been estimated at ~10.7 mmbbls and C2 reserves at ~21.9 mmbbls. The recoverable reserves are based on a recovery factor of 27.2%.

The J-50 well is part of the Akkar North accumulation and the estimated recoverable reserves for this area are ~8.6 mmbbls (C1 - ~4 mmbbls and C2 - ~4.6 mmbbls) bringing the total recoverable reserves in the area delineated by the wells J-50, 51,

52 and 53 to ~41.2 mmbbls; C1 reserves of ~14.7 mmbbls and C2 reserves of ~26.5 mmbbls.

Estimated reserves from the T3<sup>1</sup>, T3<sup>2</sup> (both formerly known as the Z Sand), T2A and T2B horizons were used in these calculations. The Akkar East Reserves Report has now been submitted to the relevant authorities; the approval process is expected to take three months.

The West Zhetybai accumulation covers the area delineated by the J-55, J-58 and J-59 wells and reserves have been evaluated for the T3<sup>1</sup>, T3<sup>2</sup>, T2A and T2B horizons. The OIP for this area has been estimated at ~232 mmbbls (from all four horizons) with recoverable reserves estimated at ~61.2 mmbbls. The C1 reserves have been estimated at ~2.3 mmbbls and C2 reserves at ~58.9 mmbbls; the recoverable reserves are based on a recovery factor of 27.2%.

The higher proportion of C2 to C1 reserves indicates the need for (i) further testing of the J-55 and J-59 wells and (ii) general appraisal of the area which may include the drilling of additional wells.

RES has submitted the West Zhetybai Preliminary Reserves Report to the relevant authorities; approval is expected to take three months.

The third report was a Competent Persons Report (CPR) that was prepared using the Society of Petroleum Engineers Petroleum Resources Management System (PRMS) classification system; reserves are defined as those quantities of oil which are estimated to be commercially recoverable from a known accumulation from a given date forward.

McDaniel & Associates (McDaniel) were engaged to complete this independent reserves audit of only the mid Triassic horizon as identified by wells J-50, J-51, J-52, J-53, J-55, J-58 and J-59.

One of the underlying differences between the Kazakh State Reserves classification system and PRMS classification system is that PRMS also considers the commercial uncertainties rather than only geological attributes and therefore the lack of established commercial oil flow from the J-53, J-55 and J-59 wells resulted in the reserve calculations based primarily on production from the T2B horizon from wells J-50, J-51, J-52 and J-58.

The results, by reserve category, were:

- Proved Reserves: 1P 9.7 mmbbls
- Proved plus Probable Reserves: 2P 19.2 mmbbls
- Proved plus Probable plus Possible: 3P 28.7 mmbbls

As part of the work undertaken by McDaniel to establish the commercial threshold of the mid-Triassic reserves, the Net Present Value of the proved+probable reserves

using a discounted cashflow model with a discount rate of 10% was calculated as \$US304.6m (~\$US15.9/bbl) pre-tax and \$US222.5m (~\$US11.6/bbl) after tax.

Shareholders are encouraged to read the 11 September 2013 announcement in full as it contains more details on the differing reserve classification methodologies used by RES in preparing the State Reserve Reports and by McDaniel in preparing the CPR.

In summary, the results of these independent reserve audits confirmed the prospectivity of the Block 31 permit.

### **Capital Management:**

On 23 September 2013 the Company announced that on 20 September 2013 Jupiter had issued \$US6.5 million of Convertible Notes ("the Convertible Notes"). The specific details were:

#### \$US6.5m Convertible Notes (Series B):

The key terms of the Convertible Notes are as follows:

- Term: 3 years
- Conversion Price: \$US1.25 per share (maximum of 5.2 million shares may be issued)
- Coupon Rate: 12% per annum, with the interest accruing from and including the Issue Date until the earlier of the Conversion Date, Redemption Date or Maturity Date of the Note.
- The Convertible Notes may be redeemed by Jupiter at any time with a minimum of 12 months interest payable if the Convertible Notes are redeemed within the 1<sup>st</sup> 12 months of their Term
- The issue of the Convertible Notes is carried out under Jupiter's 15% capacity in accordance with ASX Listing Rule 7.1

The breakdown of subscriptions for the Convertible Notes were as follows:

- Waterford Petroleum Limited: \$US1.5m
- Mid Ocean Limited \$US0.5m
- Mobile Energy Limited: \$US4m
- Other Private Investors: \$US0.5m

The net cash proceeds of the fundraising was \$US3.305m, following the repayment of \$US3m of Promissory Notes held by Mobile Energy Limited and the payment of a fee of 3% of the proceeds of the raising (\$US195,000) by the Company to Waterford Petroleum Limited for its role in arranging the funding.

The net cash proceeds of the fundraising will be used for the following purposes:

- Remedial work on the J-53 well: ~\$US150,000;
- Further testing of the J-59 well: ~\$US350,000 and
- General working capital: ~\$US2.805m.

The holders of Series A Convertible Notes issued on 31 May 2013 also agreed to convert their notes to Series B Convertible Notes, effective from 20 September 2013.

This means that all interest payable on the entire \$US15.5m Convertible Notes now outstanding will be deferred and accrue from and including the Issue Date of the Series B Convertible Notes until the earlier of the Conversion Date, Redemption Date or Maturity Date of the Note.

The Company is still reviewing its funding requirements for 2014.

### **KASE:**

The Company announced on 16 September 2013, that the Company had fulfilled the relevant conditions required under the Kazakh Stock Exchange (KASE) Listing Rules, and the KASE Listing Committee had confirmed that the Company's shares would now be included on the official list of shares trading on KASE.

### **2013 Annual General Meeting:**

The 2013 Annual General Meeting (AGM) is scheduled to be held on Thursday 7 November 2013 and the Notice of Meeting covering all the business to be covered at the AGM was mailed to shareholders on 4 October 2013.

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

As at 30 September 2013, the Company had 153,377,693 listed shares trading under the ASX ticker "JPR", AIM ticker "JPRL" and KASE ticker "AU\_JPRL".

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

The Company also has on issue \$US15.5m in Series B Convertible Notes. All Series A Convertible Notes issued on 31 May 2013 have been converted to Series B Convertible Notes and the Company has no Promissory Notes outstanding.

The Company has on issue a total of 7,000,001 unvested Performance Rights. These Performance Rights expire on 31 December 2013 and the vesting terms for all the Performance Rights on issue are the same.

A Resolution will be put to shareholders at the upcoming AGM seeking approval to extend the expiry date of these Performance Rights to 31 December 2014.

On 27 September 2013, the Company released its 2013 Annual Report.

Unaudited net cash reserves as at 30 September 2013 stood at approximately \$A3.85m.

**Summary:**

In what was a quiet quarter from an operational perspective, the release of three independent reserve reports confirmed the prospectivity of the Block 31 licence. With the additional funding secured on 20 September 2013, the Company moves into the 4<sup>th</sup> quarter with a focus on carrying out remedial work on well J-53 and completing the planning for further testing on well J-59.

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**

**Enquiries:**

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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 - RES:**

The information in this announcement which relates to the C1 and C2 Block 31 reserve estimations 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 used the Kazakh Reserve classification system in determining their 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 C1 and C2 reserve estimations. RES has given and not withdrawn its written consent to the inclusion of



the C1 and C2 reserve estimations in the form and context in which they appear in this announcement. RES has no financial interest in the Company.

#### Independent Analysis – McDaniel & Associates:

The information in this announcement which relates to the proven, probable and possible reserve estimations of the Mid Triassic is based on information compiled by McDaniel & Associates (“McDaniel”), a Canadian based oil & gas consulting company that specialises in oil & gas reserve estimations. McDaniel has used the Petroleum Resources Management System (PRMS) classification system in determining their reserve estimations. McDaniel 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 reserves. McDaniel has given and not withdrawn its written consent to the inclusion of the Mid Triassic reserve estimations in the form and context in which they appear in this announcement. McDaniel has no financial interest in the Company.

#### **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.