

19 February 2015

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

### **Operations Update**

#### **KEY POINTS:**

- **Low domestic oil prices as well as low demand for feedstock by the Kazakh refineries has resulted in the decision that Jupiter will be shutting-in all oil production from March 1 2015**
- **Following the cessation of production the organisation will be restructured and certain oilfield related services will be reduced or terminated; these changes will lead to a ~40 % reduction in running costs.**

The Board of Jupiter Energy Limited, the Kazakhstan-focused oil exploration and production company, quoted on AIM (“JPRL”), ASX (“JPR”) and KASE (“AU\_JPRL”), provides shareholders with the following Operations Update.

#### **Shut in of Akkar East Production:**

As shareholders will be aware, the price of world oil has reduced dramatically over recent months. As a result the sales price being achieved for domestic oil in Kazakhstan has fallen to levels that make oil production from Block 31 uneconomic. As such, the Company has decided to cease production from both of its producing Akkar East wells (J-51 and J-52) until the domestic oil price improves. Forward estimates for Brent would suggest the price of domestic oil may reach an acceptable level during the 4<sup>th</sup> quarter of 2015, but this will need to be monitored by the Company on an ongoing basis, and there can therefore be no guarantee that oil production will recommence in that timeframe.

The shutting in of production has meant the Company has restructured its staffing requirements as well as contracts with several suppliers of services to the field. Post the restructure, overall monthly operating costs are expected to be reduced by ~40% providing an annual saving in running costs of over \$US2 million.

The wells are expected to be shut in from 1 March 2015 until further notice. The Company will continue to ensure it meets its obligations in terms of the testing of the various wells under the terms of their respective Trial Production Licences.

### **Other Cost Reductions:**

The level of staffing within the Aktau office has also been reviewed to reflect the reduced level of activity and a number of the finance, administration and operations staff will either leave the Company or accept part time roles as of March 1 2015.

In addition, the Directors of the Company have already agreed to defer their Directors' Fees until such time that the Company has an improved cashflow.

### **Other Approvals:**

The application to renew the Trial Production Licence for the J-50 well remains on hold and it is expected that the matter will remain unresolved for a further few months.

Whilst the shut in of production means the delay in the Trial Production Licence extension is not impacting revenues, the Company is focused on resolving the allocation of Akkar North reserves as soon as possible.

The Company continues to progress an application for a land extension in the North East of the licence area and it is expected that an Addendum confirming this extension will be signed with the Kazakh Ministry of Energy in the coming weeks.

### **Well 19:**

The drilling of well 19 remains on schedule and the well is currently at 3068m with mud logs indicating that vertical depth has been reached. Wireline logs are currently being run.

Assuming the results of logging indicate the expected prospectivity of the Triassic horizon, the well will be cased and put onto a limited production test before being shut in. There will be a requirement for some field staff to be engaged during March to oversee this work.

Whilst the well could be put onto Trial Production immediately, the Board believes that, like wells J-51 and J-52, the current price of domestic oil would make production from this well uneconomic.

The Company will provide a further update on well 19 in due course.

### **Funding:**

Any cost savings will be offset in the short term by the cost of restructuring the Company and accordingly, as previously reported, the Company requires raising additional capital during Q1 2015. Progress is being made in terms of various sources of funding and the Company will provide a further update as soon as it is appropriate to do so.

## **Forward Plan:**

With the current price of domestic oil the Company feels it is taking a prudent step in shutting in production, reducing running costs and preserving reserves of oil in the ground. Once the domestic oil price recovers, production will resume from all wells that are approved for Trial Production.

It is expected that the completion and testing of Well 19 will be finalised during March 2015 at which time the drilling rig will demobilise. The timing of the drilling of any further wells remains dependent on when future funding becomes available.

The Company remains focused on completing a financing package to enable Jupiter to commence its 2015 drilling program and continue its progress towards implementing the Full Field Development of the Akkar East field.

**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 gather, 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.