

31 July 2017

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

## **QUARTERLY UPDATE ON ACTIVITIES FOR THE PERIOD TO 30 JUNE 2017**

### **KEY POINTS:**

- **Approval by the Kazakh Ministry of Energy of the 3 year Work Program (2017-2019) and Trial Production Licences for the Akkar East and West Zhetybai oilfields.**
- **\$US5m funding package agreed with major shareholder and debtholder Waterford Petroleum Limited and debtholder Mid Ocean Limited to enable the recommencement of oil production from wells J-51, J-52 and Well 19.**
- **Signing of two additional Oil Sales Framework Agreements with local traders for the sale of oil into the Kazakh domestic market as soon as production recommences.**
- **The Company continues to work on various options to provide long term funding for the ongoing development of Block 31.**
- **Jupiter to cancel admission of its Depository Interests over Ordinary Shares from trading on AIM. Last day of trading on AIM expected to be 25 August 2017.**

Jupiter Energy Limited (ASX: "JPR", AIM: "JPRL" and KASE: "AU\_JPRL") presents the following update on activities for the 3 month period ending 30 June 2017 (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, and remain shut in, due to low domestic oil prices.

On 10 July 2017, the Kazakh Ministry of Energy signed Addendum 8 to Contract 2275 thereby approving Jupiter's three year Work Program (2017-2019) that

supports the 3 year Exploration Licence Extension that was granted by the Ministry of Energy during the 4<sup>th</sup> quarter of 2016.

As part of the signing of Addendum 8, the Ministry of Energy also approved Trial Production Licences extensions for the Akkar East and West Zhetybai oilfields for the period to 29 December 2019. The approval of the Trial Production Licences enables the Company to recommence oil production as soon as is practical and it is expected that initial production will be from wells J-51, J-52 and Well 19 which are all located on the Akkar East oilfield.

The current expectation is that oil production will recommence during the 4<sup>th</sup> Quarter of 2017. The Company will keep shareholders updated on progress.

### **Funding Update:**

As a result of the signing of Addendum 8, major shareholder and debtholder Waterford Petroleum Limited ("Waterford") and debt holder Midocean Holdings Limited ("Midocean") (together "the Lenders") have agreed to provide up to a total of a further \$US5m (including accrued interest), in the amounts of up to \$US4.9m and \$US0.1m, respectively under a new Funding Agreement signed on 28 July 2017 (the "2017 Funding Agreement").

The 2017 Funding Agreement is similar to the 2016 Funding Agreement with the addition of one new condition. This condition relates to the payment of a bonus to the Lenders should all or part of the permit area be sold during the term of the 2017 Funding Agreement.

A summary of the terms of the 2017 Funding Agreement is as follows:

- Unsecured
- Effective 31 July 2017
- Repayable on 31 July 2019 (or such later date agreed by the parties in writing) (the "Repayment Date")
- Interest rate of 15% pa
- Interest will accrue and be repayable with principal
- Lenders can elect to be repaid if there is a change of control in Jupiter Energy Limited or Jupiter Energy Pte Ltd or there is a change in control in contract 2275 covering the Block 31 Licence
- Bonus will be payable to the Lenders equivalent to 5% of the sale price of contract 2275 in the event that the contract is assigned, transferred or sold to a 3rd party during the period of the facility

The bonus would equate to 5% of the value of the consideration received by the Company if Jupiter or Contract 2275 is assigned, transferred or sold to a third party prior to the Repayment Date and will be payable in cash, shares or a combination of both, at the absolute discretion of the Lenders subject to all relevant Australian,

United Kingdom and Kazakh regulatory bodies (if required), including pursuant to the ASX Listing Rules, AIM Rules, KASE Listing Rules and the Corporations Act.

The bonus amount payable to each of the Lenders will be calculated on the basis of the proportion of debt funding provided by each as measured against the total funding provided under the 2017 Funding Agreement.

### **Related Party Transaction:**

Waterford Petroleum Limited is a 29.5% shareholder in Jupiter, therefore Waterford is deemed to be a related party for the purposes of AIM Rule 13. Entering into the 2017 Funding Agreement with Waterford is a related party transaction pursuant to the AIM Rules (the "Related Party Transaction").

The independent Directors of Jupiter, being Geoff Gander, Scott Mison and Baltabek Kuandykov consider, having consulted with finnCap, the Company's Nominated Adviser, that the terms of the Related Party Transaction is fair and reasonable insofar as Jupiter's shareholders are concerned.

### **Go Forward Plan:**

The additional funds now available to the Company will be used to implement the necessary additional infrastructure and hire new personnel to enable oil production to recommence from the Akkar East wells J-51, J-52 and Well 19.

It is expected that production from West Zhetybai wells J-58 and J-59 will commence once these wells have had workovers completed on them.

The Company continues to discuss longer term funding options with interested parties.

### **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 2017	Interest acquired / disposed of during the Quarter	Interest held as at 30 June 2017
Kazakhstan	Block 31	100%	Nil	100%

## **Cancellation of admission of Depository Interests over Ordinary Shares to trading on AIM:**

The Company was originally dual listed on the AIM market of the London Stock Exchange in 2011 as a means of accessing capital from the UK and European equity markets. The Board have reviewed the Company's AIM listing and concluded that these benefits of listing have not been realised, due to a range of reasons. Given the Company's shareholder base is predominantly Australian, the relatively low volume of trading in shares on AIM and the Company's current cash position, the Board has concluded that the costs incurred in maintaining a secondary listing on AIM, exceeds the benefits obtained from the listing. On this basis, the Board considers it in the best interests of the Company and all shareholders to seek a cancellation of its depository interests ("DIs") over ordinary shares ("Ordinary Shares") from trading on AIM (the "Cancellation").

The Cancellation is not subject to shareholder approval however the Board has discussed this issue with Jupiter's three major shareholders being Waterford Petroleum Limited, Arrow Business Limited and Central Asian Oil Holdings Limited and each entity has given their unequivocal support in respect of the Cancellation. As a result the Company will proceed with the Cancellation and the last trading day in DIs on AIM will be 25 August 2017 and cancellation will be effective at 7.00 a.m. on 29 August 2017 (the "Cancellation Date"). Following the cancellation of admission of the Company's Ordinary Shares on AIM, the DIs which have been trading on AIM will be cancelled and holding statements will be issued to current DI holders.

The Company will continue to maintain its listing on the Australian Stock Exchange (ASX) and shareholders wishing to trade the Company's Ordinary Shares after the Cancellation Date will be able to do so on the ASX.

The Company has made arrangements with a UK and Australian Broker to facilitate the execution of trades of Jupiter shares on the ASX, thus ensuring that UK shareholders are not materially prejudiced as a result of the Cancellation.

Contact details are as follows:

<b>Beaufort Securities Ltd</b>	<b>Euroz Securities Limited</b>
Attn: Matthew Giles	Attn: Scott Fraser
Phone: +44 20 7382 8314	Phone: +61 8 9488 1436
Email: <a href="mailto:matthew.giles@beaufortsecurities.com">matthew.giles@beaufortsecurities.com</a>	Email: <a href="mailto:sfraser@euroz.com">sfraser@euroz.com</a>

Computershare, as the Company's registrar, will shortly be writing to each DI holder on the UK register to advise them of the process in more detail.

If DI holders do nothing with their existing holdings, the transfer to the Australian register will happen automatically. Your shareholding interest in the Company will be transferred to the Australian based share register maintained by Computershare and an updated holding statement will be issued to you in due course.

## **Capital Structure and Finances:**

As at 30 June 2017, the Company has 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, in issue.

As at 30 June 2017, total Company debt outstanding was \$US39,601,632 through a total of five (5) Promissory Notes, with the following holders:

- Waterford Petroleum Limited: \$US15,372,014
- Waterford Petroleum Limited: \$US10,213,271
- Mobile Energy Limited: \$US10,896,848
- Midocean Holdings Limited: \$US2,350,324
- Other Private Investors: \$US769,175

As at 30 June 2017, the Company has drawn down \$US3,808,733 (including accrued interest) under the current \$US5m Funding Agreement with Waterford, as announced on 29 July 2016, and therefore has a further \$US1,191,267 (including accrued interest) available to it under this Agreement.

The Company will revert from the current "Care and Maintenance" mode of operation to working under an "Operations Budget". The amount of additional funding made available to the Company has been based on a revised budget that takes into account the cost structure required to support a return to production offset by the revenues derived from budgeted oil sales.

Based on this additional funding, the revised "Operations Budget" shows sufficient working capital is now in place until the end of April 2018.

Unaudited net cash reserves as at 30 June 2017 stood at approximately \$A383,000.

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 was positive and the Company is now ready to recommence production from the Akkar East and West Zhetybai oilfields. Regulatory approvals have been received and funding is in place.

The Company signed a further two Oil Sales Framework Agreements during the Quarter with a local oil traders, thus ensuring Jupiter has some negotiation leverage with its domestic oil sales when production recommences.

The Company continues to conserve cash and is in the process of cancelling admission of its Depository Interests over Ordinary Shares trading on AIM. The last day of trading on AIM is expected to be 25 August 2017.

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**

**finnCap Ltd**

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Matt Goode/ Emily Watts/Anthony Adams (Corporate Finance)  
Simon Johnson (Corporate Broking)

**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 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.