



HALF YEAR FINANCIAL REPORT

31 DECEMBER 2021

ABN 65 084 918 481

Jupiter Energy Limited
Corporate directory
31 December 2021

Directors	Geoffrey Gander (Executive Chairman/Chief Executive Officer) Baltabek Kuandykov (Non-Executive Director) Alexey KruzHKov (Non-Executive Director) Alexander Kuzev (Non-Executive Director) Mark Ewing (Non-Executive Director)
Company secretary	James Barrie
Registered office	Suite 2 Level 13 350 Collins Street Melbourne VIC 3000
Principal place of business	Suite 2 Level 13 350 Collins Street Melbourne VIC 3000
Share register	Computershare Investor Services Pty Ltd Level 2, 45 St George's Terrace Perth WA 6000
Auditor	Ernst & Young 11 Mounts Bay Road Perth WA 6000
Solicitors	Steinepreis Paganin Level 4, 16 Milligan Street Perth WA 6000
Bankers	National Australia Bank Ltd UB13.03, 100 St Georges Terrace Perth WA 6000
Stock exchange listing	Jupiter Energy Limited shares are listed on the Australian Securities Exchange (ASX code: JPR)
Website	www.jupiterenergy.com

Jupiter Energy Limited
Directors' report
31 December 2021

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Jupiter Energy Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2021.

Directors

The following persons were directors of Jupiter Energy Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Geoffrey Gander (Executive Chairman/Chief Executive Officer)
Baltabek Kuandykov (Non-Executive Director)
Alexey Kruzhev (Non-Executive Director)
Alexander Kuzev (Non-Executive Director)
Mark Ewing (Non-Executive Director)

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of:

- Exploration for oil and gas in Kazakhstan: and
- Appraisal, development and production of oil and gas properties in Kazakhstan.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$7,328,260 (31 December 2020: profit of \$5,609,029).

The loss for the financial half-year includes an unrealised foreign exchange loss of \$3,234,298 (Dec 2020: gain of \$9,755,982) on the consolidated entity's promissory notes.

The six month period to 31 December 2021 ("the Review Period") saw the Company continue to produce oil from wells on the Akkar North (East Block), Akkar East and West Zhetybai oilfields.

Akkar East continued to produce under its Commercial Production Licence, Akkar North (East Block) returned to production under its new Commercial Production Licence and West Zhetybai produced (until 31 August 2021) under its Trial Production Licence.

Production on the Akkar East field was from wells J-51, J-52 and 19, production from Akkar North (East Block) was from well J-50 and production from the West Zhetybai oilfield was from well J-58.

Oil production from the West Zhetybia field (J-58) was shut in from 31 August 2021 as the Company commenced the approval process to transition the field to production under its Commercial Licence. These approvals are now expected to be completed in 4th Quarter 2022.

All oil produced by the Company was sold into the Kazakh domestic market, as mandated under its current Licence conditions.

There were approximately 52,200 barrels of oil (2020: 89,200 barrels) produced during the Review Period.

Production Report:

Production – Akkar North (East Block) Oilfield (J-50 well):

The implementation of a cost effective 100% gas utilisation is pivotal to enabling the Company to return all its current five production wells to optimal production – which, based on past performance, should be ~100 tonnes (~750 barrels) per day.

Production – Akkar East Oilfield (J-51, J-52, J-53 and # 19 wells):

During the Review Period, approximately 30,000 barrels of oil (2020: 16,600) were produced from wells J-51, J-52 and well 19. These three wells are located on the northern section of the permit and are part of the East Akkar oilfield.

The J-53 well, which is also located on the Akkar East oilfield, was shut in for the entire Review Period, awaiting further remedial work before potentially coming back onto production. This work will be carried out when the appropriate funding and approvals are in place.

Jupiter Energy Limited
Directors' report
31 December 2021

Production – West Zhetybai Oilfield (J-55, J-58 and J-59 wells):

During the Review Period, approximately 11,000 barrels of oil (2020: 53,700) were produced from the J-58 well. This well only operated for 2 months (July and August 2021) during the Review Period, before being shut in and it is now going through the approval process to transition to Commercial Production.

No oil was produced from the J-59 well. These two wells are located on the southern section of the permit and are part of the West Zhetybai oilfield.

The J-55 well, which is also located on the West Zhetybai oilfield, was shut in for the entire Review Period, awaiting further remedial work before potentially coming back onto production. This work will be carried out when the appropriate funding and approvals are in place.

Status of Licences:

The Company has completed the transition of the Akkar North (East Block) and Akkar East fields from Trial Production to Commercial Production.

The Company is now in the process of completing the transition of the West Zhetybai field to its Commercial Production Licence and it is expected that this process will now take until 4th Quarter 2022. The reason for this revised timeline is detailed below, under the section covering the Company's 100% Gas Utilisation Plan.

During the Review Period, the Company was successful in having the Final Reserve Report for the West Zhetybai field approved by the Kazakh Committee of Geology. This report is an important milestone in enabling the West Zhetybai field to make a successful transition from a Trial Production Licence to a Commercial Production Licence.

Preparatory Period Production Restrictions:

Under the Kazakh Sub Surface Code, there is a provision for a field to transition from its Exploration phase (Trial Production Licence) to Commercial Production under the so called "Preparatory Period", during which time the operator may produce oil whilst not having the requisite infrastructure in place to achieve 100% gas utilisation.

The Company does not currently have such gas utilisation infrastructure in place and therefore the Akkar East and Akkar North (East Block) fields are only able to produce under these "Preparatory Period" restrictions. In summary, the level of gas emissions that have been approved for the Akkar East and Akkar North (East Block) fields mean that production from the J-50, J-51, J-52 and 19 wells is constrained.

The J-51, 52 and 19 wells would normally produce a cumulative total of ~60 tonnes (450 barrels) per day but during the Preparatory Period, this cumulative total has been reduced to ~22 tonnes (165 barrels) per day. This reduced production level ensures that all associated gas produced during production can be used on the field for power, heating and the like.

Likewise with the J-50 well on Akkar North (East Block), this well would normally produce ~15 tonnes (115 barrels) per day but during the Preparatory Period, this cumulative total has been reduced to ~8.5 tonnes (65 barrels) per day. This reduced production level also ensures that all associated gas produced during production can be used on the field for power, heating and the like.

Oil Sales:

On 16 September 2021, the Company announced that Arion Trading had signed an agreement for the purchase of 100% of Jupiter's domestic oil supply under terms consistent with those that other Jupiter oil trading partners have signed in the past. This agreement is based on 100% prepayment for all oil from the wellhead. Deliveries to Arion Trading commenced on 16 October 2021.

Drilling Report:

There was no drilling activity during the Review period.

Gas Utilisation Plan:

Jupiter Energy Limited
Directors' report
31 December 2021

On 16 September 2021, the Company signed a Framework Agreement with Sleipnir Technologies LLP (Sleipnir), a Kazakh registered company that has a background in oil trading and the design and development of oilfield infrastructure.

Under Phase 1 of the Framework Agreement, Sleipnir has been working with Jupiter Energy in a Project Management capacity, assisting in the development of a detailed Project Development Plan to achieve 100% gas utilisation on all three of the Company's oilfields (the Plan). A project team made up of Jupiter and Sleipnir personnel has developed the Plan and a local Kazakh Institute completed the documentation of the detailed technical specifications associated with the Plan.

The Plan was lodged with the relevant authorities on 11 March 2022. On the basis that the Plan is approved by the relevant authorities and funding is in place to purchase and install the requisite infrastructure equipment, the current estimate is that the Stage 1 of the Plan will be operational during 4th Quarter 2022.

The West Zhetybai field (and specifically the J-58 well) will not return to production until the Stage 1 100% Gas Utilisation infrastructure is operational. Assuming success with approvals and installation of equipment, this well would return at optimal daily production (~30 tonnes / ~230 barrels) and not at a constrained rate. The well had expected to return to constrained production in late 2Q or early 3Q 2022, however, on review, it was decided it was appropriate to combine the J-58 return to production with the Company operating in a 100% Gas Utilisation environment.

The current expectation is to install the requisite infrastructure to enable wells J-51, J-52, J-58 and 19 to return to optimal production levels before the end of CY 2022 – which should mean daily oil production of ~85 tonnes / 640 barrels.

It is planned for the J-50 well to return to optimal production in 1Q 2023 and when this occurs, daily production should reach ~100 tonnes / 750 barrels per day.

It should be noted that Stage 1 of the Gas Utilisation Plan is based on a distributed solution that will allow for the return to optimal production of the current 5 production wells. Stage 2 of the Plan will be based on a centralized approach that will allow for the necessary scalability that will be required as the Company drills more wells on the Akkar North (East Block), Akkar East and West Zhetybai fields.

Stage 2 of the Plan will be addressed during 2024, when it is expected that the Company will have access to more working capital, provided by the increased oil sales achieved through the successful implementation of Stage 1 of the Plan.

Akkar North Oilfield - Joint Development Plan:

The Akkar North oilfield area is licenced under two separate contracts – one is held by Jupiter Energy (Akkar North [East Block]) and the remainder of the field is held under licence by Jupiter Energy's neighbour MangistauMunaiGas (MMG).

As part of the approval process of moving Akkar North (East Block) into Commercial Production, the Kazakh Central Commission for Exploration and Development of Hydrocarbon Deposits (the CCED) noted that under the Kazakh Sub Surface Code (specifically paragraph 1 of Article 151 of the Code) Jupiter Energy and MMG would need to "conclude an agreement on joint exploration and production or production of a deposit or field as a single object".

During the Review Period, Jupiter Energy and MMG concluded a final version of the Joint Field Development Agreement for the future development of the entire Akkar North oilfield and submitted this agreement to the Kazakh Ministry of Energy. The Ministry is currently reviewing this Joint Field Development Plan.

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).

During the Review Period, the parties agreed the parameters for a Joint Field Development Plan for this specific area and it is expected that a Joint Field Development Agreement will be submitted to the Kazakh Ministry of Energy for review before the end of 1Q 2022.

2021 Annual General Meeting:

The 2021 Annual General Meeting was held via Zoom on Friday 19 November 2021 and all Resolutions were passed on a poll.

Update on the Corporate Strategic Review Process:

The Company continues to work with VTB Capital with regards its Strategic Review process. VTB Capital's work has confirmed that the key impediment for potential future investment in the Jupiter Energy acreage is the need to achieve 100% Gas Utilisation and to that end, the Company is well progressed in its plans to achieve this goal before the end of CY 2022.

Jupiter Energy will continue to review opportunities for new sources of funding now that there is a more definitive plan in place to address the issue of gas utilisation. As part of its ongoing Strategic Review, the Company will also reassess whether any other opportunities exist to maximise value for its shareholders.

Coupled with this work, during the 4th Quarter, the Company opened dialogue with all four Noteholders on the issue of the current balance sheet debt and what options may be available for a potential restructure of this debt. These discussions resulted in agreement on a Debt Restructure Plan, announced to shareholders on 4 March 2022. Details of the Debt Restructure Plan are covered in the "Subsequent Events" section below.

As a result of the above work, 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.

Funding and Capital Management:

As at 31 December 2021, 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 2021, total Company debt outstanding (principal + accrued interest) stood at approximately \$US69.92m (AU\$96.36m) through the following funding agreements:

	US\$ millions	AU\$ millions
2017 Funding Agreement (max \$US5m + an additional commitment of up to \$US11m)	7.21	9.93
2016 Funding Agreement (max \$US5m + overrun)	6.17	8.50
Refinanced Series B Promissory Note	18.22	25.12
Refinanced Series B Promissory Note	38.32	52.81
	<u>69.92</u>	<u>96.36</u>

In terms of available short-term funding, as at 31 December 2021, the Company had drawn down \$US7.21m (AU\$9.93m) under the 2017 Funding Agreement. Based on a total of \$US16m being available under this Agreement, \$US8.79m (AU\$12.11 m) is still available. The ability of the Company to draw down on the remaining funds has not been tested in the current geopolitical environment.

As at 31 December 2021, the 2016 Funding Agreement had been fully drawn and had an overrun of \$US1.17m (AU\$1.61 m). 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 2021, is a net amount of \$US7.62m (AU\$10.50m).

Operations Budget:

The Company continues to operate under an approved Operations Budget using the combined net revenues from prepaid oil sales.

Whilst there are funds available under the remaining debt facility (the 2017 Funding Agreement), the Board is now focused on using funding other than debt to build the Company.

Based on the restructure of the current Balance Sheet, as contemplated by the March 2022 Debt Restructure Plan, the Company expects to raise additional funds to ensure it remains funded through calendar year 2022.

The purchase and installation of the Stage 1 Gas Utilisation infrastructure, as well as any future drilling work, will require access to additional working capital and this may include a combination of raising new equity, securing deferred payment terms with a local Kazakh turnkey drilling operator and/or prepayment of additional oil sales by the local oil trader.

Jupiter Energy Limited
Directors' report
31 December 2021

Once the appropriate funding has been secured, the further development of the Akkar North (East Block), Akkar East and West Zhetybai fields, and in particular the building of Stage 2 of the topside infrastructure, will be accelerated. Based on current management forecasts, the Company has sufficient working capital, not including access to the funding under the 2017 Funding Agreement, until August 2022. The Company expects to secure additional funding, via a source other than debt, to enable the implementation of Stage 1 of the Gas Utilisation Plan during 4th Quarter 2022

Summary:

The Company had a productive 6 month period from 1 July to 31 December 2021, notwithstanding the constrained production mandated by Preparatory Restrictions and having to shut in the West Zhetybai oilfield, as part of the approval process to transition the oilfield from Trial to Commercial Production.

The events that led to the civil unrest in Kazakhstan in early January 2022 have, it appears, been resolved and operations have not been impacted. At the time of writing, the recent conflict in Ukraine has not had an impact on operations in Kazakhstan but the situation continues to be monitored.

The announcement of a Debt Restructure Plan in early March 2022 is seen as an extremely positive step forward for the Company.

Since acquiring an exploration permit in 2008, independent reserve reports continue to confirm that that Jupiter has now discovered three sizeable oilfields with significant reserves and resources. The goal of developing Jupiter Energy into a full cycle E&P company with a meaningful production profile and sizeable 2P reserves base remains the key objective for the Board and Management and the Company remains confident of continuing to make progress towards achieving this goal during the remainder of 2022.

The Board is confident that several funding options will become available now that the Company has a clear plan to achieve 100% Gas Utilisation on its three oilfields and has agreed the parameters for a Debt Restructure Plan with its four Noteholders.

The focus must now be on implementing the Gas Utilisation Plan and maximizing future value for both Jupiter Energy's shareholders and Noteholders.

Competent Persons Statement:

General

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.

Kazakh State Approved Reserves

The information in this report 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 Group 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 report. RES has no financial interest in the Group.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

On 4 March 2022, the Company announced details of a Debt Restructure Plan that had been finalised with its four (4) Noteholders. Binding Deeds of Settlement have been signed and the Deeds outline the following terms:

Jupiter Energy Limited
Directors' report
31 December 2021

- 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 a minimum of \$35,000,000 via the issue of new shares (**Capital Raising**). The issue price used to raise new equity will also be the price used to calculate the number of shares to be issued to the Noteholders to satisfy the debt for equity portion of the Deeds of Settlement.

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.

In broad terms, the debt restructure, if successfully completed, would see Jupiter become debt free and with sufficient working capital to complete its plans to achieve 100% Gas Utilisation on its three oilfields during 2023 as well as fund a drilling campaign for the 2023 and 2024 calendar years.

On 15 March 2022, the Company announced it had lodged its 100% Gas Utilisation Plan with the relevant authorities. The focus will now be to ensure the approval process runs as smoothly as possible and the funding required for the purchase and installation of the equipment is in place. Achieving 100% Gas Utilisation in a reasonable timeframe under a realistic budget is a critical milestone for the Company as it will enable all five production wells to return to their optimal flow rates.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 8.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Geoffrey Gander
Director

16 March 2022



**Building a better
working world**

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Auditor's independence declaration to the directors of Jupiter Energy Limited

As lead auditor for the review of the half-year financial report of Jupiter Energy Limited for the half-year ended 31 December 2021, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Jupiter Energy Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Cunningham'.

Mark Cunningham
Partner
16 March 2022

Jupiter Energy Limited

Contents

31 December 2021

Statement of profit or loss and other comprehensive income	11
Statement of financial position	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15
Directors' declaration	20
Independent auditor's review report to the members of Jupiter Energy Limited	21

General information

The financial statements cover Jupiter Energy Limited as a consolidated entity consisting of Jupiter Energy Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Jupiter Energy Limited's functional and presentation currency.

Jupiter Energy Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2
Level 13 350 Collins Street
Melbourne VIC 3000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2022.

Jupiter Energy Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021

		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Sales	3	2,041,397	1,943,894
Less cost of goods sold		<u>(1,317,297)</u>	<u>(1,138,091)</u>
Gross Margin		724,100	805,803
Other income		171,858	214,683
Interest revenue calculated using the effective interest method		40,653	11,295
Net gain or (loss) on foreign exchange		<u>(3,240,708)</u>	<u>9,768,459</u>
Expenses			
General and administrative costs		(962,443)	(1,182,100)
Finance costs		<u>(4,061,720)</u>	<u>(4,009,111)</u>
Profit/(loss) before income tax expense		(7,328,260)	5,609,029
Income tax expense		<u>-</u>	<u>-</u>
Profit/(loss) after income tax expense for the half-year attributable to the owners of Jupiter Energy Limited		(7,328,260)	5,609,029
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>546,161</u>	<u>(2,693,184)</u>
Other comprehensive income for the half-year, net of tax		<u>546,161</u>	<u>(2,693,184)</u>
Total comprehensive income for the half-year attributable to the owners of Jupiter Energy Limited		<u>(6,782,099)</u>	<u>2,915,845</u>
		Cents	Cents
Basic earnings per share	10	(4.78)	3.66
Diluted earnings per share	10	(4.78)	3.66

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Jupiter Energy Limited
Statement of financial position
As at 31 December 2021

	Note	Consolidated 31 Dec 2021 \$	30 June 2021 \$
Assets			
Current assets			
Cash and cash equivalents		930,394	690,949
Trade and other receivables		79,569	80,968
Inventories		33,714	37,126
Other		121,997	82,013
Total current assets		<u>1,165,674</u>	<u>891,056</u>
Non-current assets			
Other financial assets		673,239	405,503
Property, plant and equipment		445,087	541,261
Exploration and evaluation	4	1,810,961	1,558,934
Oil and gas properties	5	<u>17,311,742</u>	<u>16,757,259</u>
Total non-current assets		<u>20,241,029</u>	<u>19,262,957</u>
Total assets		<u>21,406,703</u>	<u>20,154,013</u>
Liabilities			
Current liabilities			
Trade and other payables		1,646,453	1,568,525
Contract liabilities		114,782	205,187
Total current liabilities		<u>1,761,235</u>	<u>1,773,712</u>
Non-current liabilities			
Provisions		363,221	306,875
Other financial liabilities	6	<u>96,363,016</u>	<u>88,372,096</u>
Total non-current liabilities		<u>96,726,237</u>	<u>88,678,971</u>
Total liabilities		<u>98,487,472</u>	<u>90,452,683</u>
Net liabilities		<u>(77,080,769)</u>	<u>(70,298,670)</u>
Equity			
Issued capital		85,633,935	85,633,935
Reserves		(24,684,542)	(25,230,703)
Accumulated losses		<u>(138,030,162)</u>	<u>(130,701,902)</u>
Total deficiency in equity		<u>(77,080,769)</u>	<u>(70,298,670)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Jupiter Energy Limited
Statement of changes in equity
For the half-year ended 31 December 2021

	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total deficiency in equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2020	85,633,935	5,764,014	(28,381,181)	(130,763,557)	(67,746,789)
Profit after income tax expense for the half-year	-	-	-	5,609,029	5,609,029
Other comprehensive income for the half-year, net of tax	-	-	(2,693,184)	-	(2,693,184)
Total comprehensive income for the half-year	-	-	(2,693,184)	5,609,029	2,915,845
Balance at 31 December 2020	<u>85,633,935</u>	<u>5,764,014</u>	<u>(31,074,365)</u>	<u>(125,154,528)</u>	<u>(64,830,944)</u>
	Issued capital	Share based payment reserve	Foreign currency translation reserve	Accumulated losses	Total deficiency in equity
Consolidated	\$	\$	\$	\$	\$
Balance at 1 July 2021	85,633,935	5,764,014	(30,994,717)	(130,701,902)	(70,298,670)
Loss after income tax expense for the half-year	-	-	-	(7,328,260)	(7,328,260)
Other comprehensive income for the half-year, net of tax	-	-	546,161	-	546,161
Total comprehensive income for the half-year	-	-	546,161	(7,328,260)	(6,782,099)
Balance at 31 December 2021	<u>85,633,935</u>	<u>5,764,014</u>	<u>(30,448,556)</u>	<u>(138,030,162)</u>	<u>(77,080,769)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Jupiter Energy Limited
Statement of cash flows
For the half-year ended 31 December 2021

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers	2,124,249	1,570,757
Payments to suppliers and employees	<u>(2,312,176)</u>	<u>(1,675,583)</u>
	(187,927)	(104,826)
Interest received	<u>40,653</u>	<u>11,295</u>
Net cash used in operating activities	<u>(147,274)</u>	<u>(93,531)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(898)	-
Payments for exploration and evaluation	(206,560)	(485,838)
Payments for oil and gas properties	<u>(118,676)</u>	<u>(88,641)</u>
Net cash used in investing activities	<u>(326,134)</u>	<u>(574,479)</u>
Cash flows from financing activities		
Proceeds from borrowings	694,903	915,884
Repayment of lease liabilities	<u>-</u>	<u>(83,071)</u>
Net cash from financing activities	<u>694,903</u>	<u>832,813</u>
Net increase in cash and cash equivalents	221,495	164,803
Cash and cash equivalents at the beginning of the financial half-year	690,949	138,980
Effects of exchange rate changes on cash and cash equivalents	<u>17,950</u>	<u>(4,295)</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>930,394</u></u>	<u><u>299,488</u></u>

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated. The consolidated entity's financial assets and liabilities are carried at amortised cost, with the carrying value approximating the fair value.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of the new and amended standards and interpretations, did not result in any significant changes to the consolidated entity's accounting policies.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The consolidated financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The consolidated entity had net cash outflows from operating activities of \$147,274 during the half year ended 31 December 2021 and at 31 December 2021 had a net current liability and net liability position of \$595,561 and \$77,080,769 respectively. Included in the net current liability position balance, are accrued director fees of \$972,031 for which settlement has been deferred.

During the half year the consolidated entity extended the repayment terms of its existing promissory note facilities to July 2024. At 31 December 2021 the consolidated entity has total undrawn amounts under its promissory note facilities of US\$7,621,190 (AU\$10,503,294) albeit given the current Geopolitical environment there may be some uncertainty as to whether this undrawn amount is readily available.

For the consolidated entity to continue to carry out its intended activities and to have sufficient working capital to continue as a going concern the consolidated entity will be required to achieve the following:

- obtain approval from the Kazakhstan authorities to waive their pre-emptive right to participate in any share placement so that the consolidated entity can raise additional funding via a public share placement;
- undertake a capital raising via a share placement in the September 2022 quarter;
- maintain the ongoing financial support from its promissory noteholders; and
- obtain the necessary approvals to transition the West Zhetybai oilfield from exploration to commercial production.

As at the date of this report, the directors are satisfied there is a reasonable basis to believe that the above matters can be achieved.

Should the consolidated entity not achieve the matters set out above, there is significant uncertainty as to whether the consolidated entity would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include adjustments relating to the recoverability or classification of the recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

Jupiter Energy Limited
Notes to the financial statements
31 December 2021

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The consolidated entity has identified that it has one operating segment being related to the activities in Kazakhstan, on the basis that the operations in Australia relate to running the Corporate Head Office only.

All significant Oil and Gas and Exploration and evaluation expenditure are domiciled in Kazakhstan. All oil sales are with one customer in Kazakhstan.

Note 3. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
<i>Major product lines</i>		
Sale of oil	<u>2,041,397</u>	<u>1,943,894</u>

Revenue pertains solely to the sale of oil in Kazakhstan. Revenue from the sale of oil is recognised at a point in time when the control of the product is transferred to the customer, which occurs at the well head.

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Exploration and evaluation - at cost	<u>1,810,961</u>	<u>1,558,934</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Exploration & evaluation \$	Total \$
Balance at 1 July 2021	1,558,934	1,558,934
Additions	206,560	206,560
Exchange differences	<u>45,467</u>	<u>45,467</u>
Balance at 31 December 2021	<u>1,810,961</u>	<u>1,810,961</u>

Note 5. Non-current assets - oil and gas properties

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Oil and gas properties - at cost	19,387,840	18,689,003
Less: Accumulated amortisation	<u>(2,076,098)</u>	<u>(1,931,744)</u>
	<u>17,311,742</u>	<u>16,757,259</u>

Jupiter Energy Limited
Notes to the financial statements
31 December 2021

Note 5. Non-current assets - oil and gas properties (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Oil and gas properties \$
Balance at 1 July 2021	16,757,259
Additions	118,676
Change in estimate	22,741
Exchange differences	500,820
Amortisation expense	<u>(87,754)</u>
Balance at 31 December 2021	<u><u>17,311,742</u></u>

Note 6. Non-current liabilities - other financial liabilities

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
Promissory notes	<u>96,363,016</u>	<u>88,372,096</u>

The promissory notes are on the same terms as those disclosed in the company's 30 June 2021 annual report. Interest is being accrued at 15% per annum.

Reconciliation of the carrying values at the beginning and end of the current and previous financial half-year are set out below:

Opening balance	88,372,096
Interest accrued	4,061,720
Foreign exchange differences	3,234,297
New borrowings	<u>694,903</u>
	<u><u>96,363,016</u></u>

Note 7. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 8. Commitments

The consolidated entity has entered into a subsoil utilisation rights for petroleum exploration and extraction in Areas 1 and 2 in Mangistau Oblast in accordance with Contract No. 2275 dated 29 December 2006 with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

	Consolidated	
	31 Dec 2021	30 June 2021
	\$	\$
<i>Exploration work program commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	<u>313,384</u>	<u>315,502</u>

During the Review Period, the Company signed Addendum #12 to Contract 2275.

Note 8. Commitments (continued)

Addendum #12 confirmed that the West Zhetybai field was approved to operate under its Preparatory Period Licence until 1 September 2024. The Company now needs to complete a number of regulatory approvals to transition to the Preparatory Period and this approval process is ongoing.

Production from West Zhetybai was shut in from 1 September 2021 and will remain so until the Development Project associated with the transition to the Preparatory Period Licence has been approved by the relevant regulatory bodies.

Note 9. Events after the reporting period

On 4 March 2022, the Company announced details of a Debt Restructure Plan that had been finalised with its four (4) Noteholders. Binding Deeds of Settlement have been signed and the Deeds outline 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 a minimum of \$35,000,000 via the issue of new shares (**Capital Raising**). The issue price used to raise new equity will also be the price used to calculate the number of shares to be issued to the Noteholders to satisfy the debt for equity portion of the Deeds of Settlement.

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.

Shares issued to the Noteholders as part of the debt for equity conversion will be subject to voluntary escrow for the following periods:

- 25% of the shares will be escrowed for 6 months;
- 50% of the shares will be escrowed for 12 months; and
- 25% of the shares will be escrowed for 18 months

In broad terms, the debt restructure, if successfully completed, would see Jupiter become debt free and with sufficient working capital to complete its plans to achieve 100% Gas Utilisation on its three oilfields during 2023 as well as fund a drilling campaign for the 2023 and 2024 calendar years.

On 15 March 2022, the Company announced it had lodged its 100% Gas Utilisation Plan with the relevant authorities. The focus will now be to ensure the approval process runs as smoothly as possible and the funding required for the purchase and installation of the equipment is in place. Achieving 100% Gas Utilisation in a reasonable timeframe under a realistic budget is a critical milestone for the Company as it will enable all five production wells to return to their optimal flow rates.

No other matter or circumstance has arisen since 31 December 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Jupiter Energy Limited
Notes to the financial statements
31 December 2021

Note 10. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Profit/(loss) after income tax attributable to the owners of Jupiter Energy Limited	<u>(7,328,260)</u>	<u>5,609,029</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>153,377,693</u>	<u>153,377,693</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>153,377,693</u>	<u>153,377,693</u>
	Cents	Cents
Basic earnings per share	(4.78)	3.66
Diluted earnings per share	(4.78)	3.66

Jupiter Energy Limited
Directors' declaration
31 December 2021

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial half-year ended on that date; and
- subject to the matters described in note 1 above, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Geoffrey Gander
Director

16 March 2022



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working world**

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Independent auditor's review report to the members of Jupiter Energy Limited

Conclusion

We have reviewed the accompanying half-year financial report of Jupiter Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2021, the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 Going concern basis in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Mark Cunningham'.

Mark Cunningham
Partner
Perth
16 March 2022