



ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2020

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

CORPORATE INFORMATION

Jupiter Energy Limited
ABN 65 084 918 481

Directors

Geoffrey Gander (Executive Chairman/Chief Executive Officer)
Baltabek Kuandykov (Non-Executive Director)
Alexey Kruzhkov (Non-Executive Director)
Alexander Kuzev (Non-Executive Director)
Phil Warren (Non-Executive Director)

Group Secretary
Emma Wates

Registered Office & Principal Place of Business
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West Perth WA 6005
PO Box 1282
Western Australia 6872

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Email info@jupiterenergy.com
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Solicitors

Steinepreis Paganin
Level 4,
16 Milligan Street
Perth WA 6000

Auditors

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Bankers

National Australia Bank Ltd
UB13.03, 100 St Georges Terrace
Perth WA 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000

Telephone 1300 557 010 (only within Australia)
+61 8 9323 2000
Facsimile +61 8 9323 2033
Website www.computershare.com

Stock Exchange Listing

Jupiter Energy Limited shares are listed on the
Australian Securities Exchange under the code "JPR".

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

Contents of Financial Report

Chairman's Letter	1
Directors' Report	2
Remuneration Report	12
Auditor Independence Declaration	20
Consolidated Jupiter Energy Limited Financial Statements	
Consolidated Statement of Comprehensive Income	22
Consolidated Statement of Financial Position	23
Consolidated Statement of Cash Flows	24
Consolidated Statement of Changes in Equity	25
Notes to the Consolidated Financial Statements	26
Directors' Declaration	57
Independent Audit Report to the members of Jupiter Energy Limited	58
ASX Additional Information	63
Corporate Governance Policies.....	65

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

CHAIRMAN'S LETTER

Dear Shareholder,

I present the 2020 Annual Report for Jupiter Energy Limited ("Jupiter Energy", "the Company" or "the Group").

The last financial year was one of two halves. In the first 6 months of the year, the Group produced approximately 134,000 barrels of oil and generated revenues of \$US3.7m, achieving above \$US27 per barrel for its Kazakh domestic oil. The 2nd half of the year saw a totally different operating environment. The global economy became severely impacted by the COVID-19 pandemic, resulting in a weak global oil price. The Company also suffered a significant drop in oil production as a result of the Akkar East field having to be shut in as Jupiter Energy awaited Kazakh regulatory approval to transition the field from producing oil under its Exploration Licence to operating under its 25 year Commercial Licence.

Kazakh domestic oil prices almost halved as a result of the impact of the COVID-19 pandemic and with oil production dropping in the 2nd half of the year to just over 40,000 barrels, corresponding revenues declined to less than \$US600,000. Overall, the Company recorded production of approximately 174,000 barrels over the 12 month period (down from 241,000 barrels in the previous year) and achieved sales revenue of \$A5,634,059 (down from \$A8,963,533 in the previous year).

Kazakhstan continues to be a difficult jurisdiction in which to operate. Delays in transitioning Akkar East to Commercial Production meant that total production was restricted to only two wells for the second half of the year and ultimately it took until mid September 2020 for the Akkar East oilfield to receive all the necessary regulatory approvals to commence Commercial Production. COVID-19 restrictions have certainly not helped the situation in terms of timely Kazakh Government approvals and Kazakhstan in general has experienced significant economic stress as a result of both the COVID-19 pandemic and the resulting decline in global oil prices.

Going forward, the Akkar North (East Block) field will continue to operate under its Trial production Licence until the end of December 2020 at which point it is planned to transition the field, just as Akkar East has just done, to production under the Company's Commercial Licence. The West Zhetybai field will continue to operate under an Exploration Licence until the beginning of September 2021, meaning that over the next 12 months the Company will need to complete the exploration drilling of the remainder of the West Zhetybai field and submit a Final Reserves Report for that oilfield to the relevant Kazakh authorities. This reserves report will be required before West Zhetybai can transition from production under an Exploration Licence to operating under a Commercial Licence.

Any future drilling on the permit area will require the necessary funding as will any plans to establish the requisite infrastructure to achieve 100% gas utilization for the three oilfields held by the Company. 100% gas utilization is mandatory for any field to operate under a full Commercial Licence and therefore resolving the issue of ongoing funding for drilling and building infrastructure remains a priority for the Board.

To that end, in July 2020, the Company announced that it had engaged VTB Capital to carry out a Strategic Review of the funding options available to the Company and, at the time of writing, the review process is ongoing. The Board expects to provide further details to shareholders on the outcome of this review before the end of 2020.

It has been a challenging 2020 calendar year thus far and I would like to thank all shareholders, debtholders and employees for their ongoing commitment to Jupiter Energy – it is much appreciated.

Sincerely



Geoff Gander
Chairman/CEO

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

DIRECTORS' REPORT

Your Directors submit their report together with the financial statements for Jupiter Energy Limited ("Company") and its wholly owned subsidiaries ("Jupiter Energy" or "Group") for the financial year ended 30 June 2020.

Jupiter Energy Limited is a company limited by shares that is incorporated and listed in Australia.

DIRECTORS

The names and details of the Group's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications experience and special responsibilities

Geoffrey Anthony Gander (57)

B.COM

Executive Chairman/CEO

Appointed 27 January 2005

Mr Gander graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce Degree.

Mr Gander was involved in the identification and purchase of the Block 31 licence in Kazakhstan and has driven the development of the business there since 2007. He is currently responsible for the overall Operational Leadership of the Company as well as Investor Relations and Group Corporate Development.

Other Current Directorships of Listed Companies
Powerhouse Ventures Limited (ASX)

Former Directorships of Listed Companies in last three years
Zyber Holdings Limited (ASX)

Baltabek Kuandykov (72)

Independent Non-Executive Director

Appointed 5 October 2010

Mr Kuandykov has considerable experience in the oil and gas industry in the region, having served as President of KazakhOil (predecessor of the Kazakh State oil company KazMunaiGas). He was also seconded by the Kazakh Government to work with Chevron Overseas Petroleum on CIS projects. Mr Kuandykov also has extensive government experience in Kazakhstan, having served as Deputy Minister of Geology, Head of the Oil and Gas Directorate at the Ministry of Geology, and was Deputy Minister of Energy and Fuel Resources.

Other Current Directorships of Listed Companies
None

Former Directorships of Listed Companies in last three years
None

Alexander Kuzev (55)

Independent Non-Executive Director

Appointed 12 September 2017

Mr Kuzev is an oil industry professional with over 27 years of experience.

Most of Alexander's career has been spent working in the Former Soviet Union (FSU) with much of that time responsible for the overall management of field operations with a focus on production sustainability, technology and field maintenance. He has worked

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

with a range of oil and gas companies including Schlumberger and Gazprom Drilling.

Alexander brings an important technical skill set to the Jupiter Energy Board as well as in country experience, having been involved with various Kazakhstan based oil and gas operations since the late 1990's.

Other Current Directorships of Listed Companies
None

Former Directorships of Listed Companies in last three years
None

Phil Warren (46)

B.Com., CA
Independent Non-Executive Director
Appointed 20 April 2018

Mr Warren is a Chartered Accountant and has over 20 years experience in finance and corporate roles in Australia and Europe.

He is Managing Director of a corporate advisory services firm and has extensive experience in mergers and acquisitions, debt financing, equity raisings and corporate governance.

Other Current Directorships of Listed Companies
Cassini Resources Limited, Rent.com.au Limited, Family Zone Cyber Safety Limited

Former Directorships of Listed Companies in last three years
None

Alexey Kruzhkov (53)

Non-Executive Director
Appointed 29 August 2016

Mr Kruzhkov holds an Engineering Degree and an MBA and has over 10 years' experience working in the investment industry, focusing primarily on organisations involved in Oil & Gas, Mining and Real Estate. He has served as a Director on the Boards of companies listed in Canada and Norway. He is a board member and part of the executive team of Waterford Investment and Finance Limited and resides in Cyprus. He holds British and Russian citizenships.

Other Current Directorships of Listed Companies
None

Former Directorships of Listed Companies in last three years
None

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

Interests in the shares and options of the Company and related bodies corporate

At the date of this report, the interests of the Directors in the shares of the Company are outlined below. The Company does not have any options on issue as at the date of this report:

Director	Number of ordinary shares
G Gander	-
B Kuandykov	-
A Kruzhkov	-
A Kuzev	-
P Warren	-

Each Director must disclose any changes via formal ASX announcement in accordance with regulatory requirements. Any changes in Directors' shareholdings are also confirmed at each Board meeting.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year included:

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

FINANCIAL REVIEW

Operating Results

The consolidated loss for the year after income tax was \$42,352,148 (2019: \$8,927,775).

Review of Financial Condition

At the end of the 2020 financial year, cash resources were \$138,980 (2019: \$534,690). These accounts have been prepared on a going concern basis, predicated on the Group's ability to raise additional cash. Refer to note 2(a) for additional information surrounding going concern.

Assets decreased to \$21,831,285 (2019: \$54,478,718) and equity decreased to negative \$67,746,789 (2019: negative \$24,713,787).

Funding and Capital Management:

As at 30 June 2020, the Group had 153,377,693 listed shares trading under the ASX ticker "JPR".

During the year the Company funded operations primarily from oil sales with small amounts being drawn down on a monthly basis from existing credit facilities to cover corporate expenses.

As at 30 June 2020 the Company had approximately \$US2.51m available to it under its 2016 and 2017 Funding Agreements.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

The Group is still reviewing its ongoing funding requirements to enable it to complete its work program for the 2020/2021 financial year.

The Trial Production Licence for the Akkar North (East Block) field will expire at the end of December 2020 and the Trial Production Licence for the West Zhetybai field will expire at the beginning of September 2021. In both cases, the Company will be applying for these fields to transition from Trial Production to Commercial Production, under what is referred to as the “Preparatory Period” allowed for under the Sub Surface User Code by which oil production in Kazakhstan is regulated.

The Akkar East field has already transitioned to Commercial Production under this “Preparatory Period”, with the final Kazakh regulatory approvals being received on 11 September 2020 to recommence production.

In order for any of the Company’s oilfields to operate under a full Commercial Licence, the requisite infrastructure that is required to achieve 100% gas utilization must be in place and approved for use. The building of this topside infrastructure, which would most likely include a processing facility and a gas separation plant, can only be achieved with additional funding and the Company continues to seek opportunities to connect into existing infrastructure in the area rather than having to build its own new facilities.

OPERATING REVIEW

The first half of the financial year saw oil production from the Akkar North (East Block), Akkar East and West Zhetybai oilfields but during the second half of the year, production was limited to one well located on the Akkar North (East Block) and one well on the West Zhetybai fields. The three wells on the Akkar East field were shut in, awaiting the necessary regulatory approvals to transition from Trial Production to Commercial Production.

Production Report/Status of Well Licences:

Production – Akkar East (J-51, J-52, J-53 and Well 19):

During the first half of the financial year, oil was produced from the Akkar East J-51, J-52 and 19 wells under their respective Trial Production Licences (TPL’s). These three wells are all located on the northern section of the permit area and are part of the Akkar East oilfield.

These wells were all shut in at the end of December 2019 when their TPL’s expired and the Company submitted the necessary paperwork to transition the field from Trial Production to Commercial Production. This approval process was not completed until 11 September 2020, meaning that there was no production from wells J-51, J-52 and well 19 during the second half of the financial year.

The J-53 well, which is also located on the Akkar East oilfield, was shut in for the entire financial year, awaiting further remedial work before potentially coming back onto production.

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

The J-50 well produced under Trial Production for the entire financial year. During the year, the Company completed its Final Reserves Report for the field and it is expected that this Report will be approved before the end of 2020. The Company then expects to commence the approval process of transitioning the Akkar North (East Block) field from Trial Production to Commercial Production – probably commencing this process during the 4th Quarter of 2020. The Akkar North (East Block) Trial production licence expires at the end of December 2020.

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

During the year oil was produced from the J-58 well under Trial Production.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

The J-55 well, which is also located on the West Zhetybai oilfield, was shut in for the entire financial year, awaiting further remedial work before potentially coming back onto production. The J-59 well underwent limited testing during the financial year and was not returned to production.

A summary of the oil produced from the all wells during the financial year, broken down by quarter, is as follows:

Well Number	Production (1Q) (bbls)	Production (2Q) (bbls)	Production (3Q) (bbls)	Production (4Q) (bbls)	TOTAL bbls for the 2019/2020 Financial Year
J-50	9,300	8,200	3,600	9,700	30,800
J-51	13,300	11,000	NIL	NIL	24,300
J-52	15,600	12,500	NIL	NIL	28,100
Well 19	9,700	14,700	NIL	NIL	24,400
J-58	21,100	18,600	4,900	22,000	66,600
ALL PRODUCING WELLS	69,000	65,000	8,500	31,700	174,200

Drilling Report:

There was no new drilling during the financial year.

The drilling of any other new wells in the 2020/2021 financial year will require access to additional working capital and/or agreement to deferred payment terms with a turnkey drilling operator. The current forward drilling plan is for two wells to be drilled on the West Zhetybai field.

Oil Production and Revenues:

There were approximately 174,000 barrels of oil produced during the year, achieving revenues of \$A5,634,059. This compared with 241,000 barrels produced in the previous reporting period, generating revenues of \$8,963,533. All oil produced during the year was sold into the domestic market to a local trader (as per the terms of the Block 31 Exploration Period Licence). Oil was paid for on a prepayment basis and oil collected by the trader from the well head.

Status of Exploration and Commercial Licences:

The Company operated all three of its oilfields under an Exploration Licence until 29 December 2019. At that time, the Trial Production Licence for the Akkar East field expired and the field was shut in as the Company sort approval to transition the field from Trial Production to Commercial Production.

The process of transitioning Akkar East from its Exploration Licence to its 25 year Commercial Licence has been ongoing for most of 2020. Approval to produce under a Commercial Licence has now been granted to Akkar East and the Akkar East oilfield was approved to recommence production on 11 September 2020.

This means that the 3 wells on the Akkar East field (well 19, J-51 and J-52) were shut in for the entire 2nd half of the financial year and have only just recommenced production in September 2020, now operating under the Company's 25 year Commercial Licence.

The Trial Production Licence on the Akkar North (East Block) field will expire at the end of December 2020 and the Trial Production Licence on the West Zhetybai field will expire at the beginning of September 2021.

The Company is able to produce from well J-50 (Akkar North - East Block) and J-58 (West Zhetybai) until these respective Trial Production Licences expire. On expiration, the Company will need to apply to transition the relevant

field from Trial Production to Commercial Production, following the same process that was recently carried out for the Akkar East field. It is hoped that the approval process for these two oilfields will be somewhat quicker than was experienced with Akkar East, but no Kazakh regulatory approval timeline is certain.

The key issue facing the Company going forward is that in order to move any of the fields into full Commercial Production, the oilfield must have access to infrastructure that enables it to achieve 100% gas utilization – ie the flaring of excess gas produced during oil production, that is allowed during Trial Production, is not allowed when producing under Commercial Production.

The lack of this infrastructure means that when Akkar East recommenced production in September 2020, under the Company's Commercial Licence, it was only able to produce oil to the level that corresponds to the quantum of excess gas that can be 100% utilised on the field. This means that cumulative oil production from the Akkar East oilfield is now only ~150 barrels (20 tonnes) per day and this constrained level of production will continue until such time that the Company is either able to build, or get access to, the requisite gas utilisation infrastructure.

In the event that the building of this requisite infrastructure is not possible and there are no opportunities for Jupiter Energy to connect to infrastructure already in the area, the Company would need to review its underlying project cashflow and an impairment of the carrying value of the asset may be required.

Whilst the Company has a 25 year Commercial Production Licence, there are a number of key requirements that are needed before full Commercial Production can commence, the most critical of which is providing infrastructure to allow all three oilfields to produce oil whilst achieving 100% utilization of the excess gas produced. As already discussed above, this infrastructure is not currently in place and no arrangement to connect into nearby infrastructure has been concluded.

Go Forward Drilling Program:

The Board is aware of the need to fully explore the West Zhetybai field before the end of its Trial Production period at the beginning of September 2021. A lack of further drilling could mean some of the West Zhetybai Contract Area is relinquished. Further drilling on the West Zhetybai oilfield is scheduled for 2021, with two wells being planned. The funding of this drilling program is expected to be met via increased debt funding from Waterford Finance & Investment Limited.

Strategic Review:

On 21 July 2020, the Jupiter Energy Board announced that the Company had decided to undergo a Strategic Review to analyse all of its funding options regarding the future development of its acreage in the Mangistau Basin, Kazakhstan.

As part of this process, the Jupiter Board resolved to engage JSC VTB Capital (VTB Capital) as financial advisor to the Company to assist with this review. VTB Capital is part of the VTB Group, the Russian financial conglomerate, made up of more than 20 credit and financial companies operating in all segments of financial markets including capital market transactions, M&A advisory, financing and the like.

As already detailed earlier in this Operating Review, the move into Commercial Production brings with it the need for greater investment in field infrastructure to enable the Company to ultimately get access to the export oil market. The Board believes it is critical that the Company now considers the identification of the most optimal source of funding for this investment, together with exploring all alternatives to enable stakeholders to maximise value from the Company's assets.

The results of the Strategic Review are expected to be released before the end of December 2020.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

Corporate Structure:

The Company monitored its personnel numbers during the financial year and ended the year with 26 employees, a decrease of 13 over the year. An additional 4 operators were hired in late August 2020 and a further 4 in early September 2020, to resource production on the Akkar East oilfield, that recommenced in mid September 2020.

Board Additions and Changes:

There were no changes to the Board during the financial year.

Annual General Meeting:

The COVID-19 pandemic has seen the ability to hold normal General Meetings suspended and the 2020 AGM will be held virtually on 24 November 2020. A Notice of Meeting outlining business to be covered at the 2020 AGM will be mailed to shareholders during October 2020, including details on how to attend online.

Summary:

The 2019/20 Financial Year saw the Group suffer a decline in the number of barrels of oil produced and revenues achieved. These declines were as a result of a fall in global oil prices, driven by the COVID-19 pandemic, as well as the shutting in of the Akkar East oilfield for the 2nd half of the financial year, as the Company went through the approval process required to transition Akkar East from Trial Production to Commercial Production.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the consolidated entity that occurred during the financial year.

SUBSEQUENT EVENTS

On 21 July 2020 the Company announced the engagement of VTB Capital to carry out a Strategic Review of the funding options available to the Group in relation to the ongoing development of its acreage in Kazakhstan. This is detailed earlier in the Operations Review.

On 15 September 2020 the Company announced that the Akkar East field had recommenced production after having received all the requisite Kazakh regulatory approvals to begin Commercial Production from wells 19, J-51 and J-52. These approvals are based on the Company producing oil under what is defined in the Sub Surface User Code as the “Preparatory Period” – that is a period when wells can produced under Commercial Production whilst not yet having 100% gas utilization infrastructure in place. The requirement for 100% gas utilization means production from the three wells will be constrained and production is currently ~150 barrels (20 tonnes) per day. This constrained production profile will continue until the Company has access to the requisite infrastructure that will enable it to achieve 100% gas utilization when the wells are producing at full capacity.

On 28 September 2020, the Company received a commitment to increase the facility under the 2017 Framework Agreement by an additional US\$6.0 million, with a repayment date of 1 July 2022.

In September 2020 Promissory Notes, that had a carrying value of US\$59.62m (A\$86.87m) as at 30 June 2020, had their repayment dates extended to 1 July 2022.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors will continue to pursue oil and gas exploration and production opportunities in the Republic of Kazakhstan.

ASX REPORTING

As Jupiter Energy Limited is listed on the Australian Stock Exchange it is subject to the continuous disclosure requirements of the ASX Listing Rules for Companies which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Jupiter Energy Limited's securities.

During the financial year, specifically from 22 April to 6 May 2020, the Company responded to a number of queries from the ASX in relation to its share price and potential irregular trading. As detailed in its ASX announcement dated 6 May 2020, the Company advised that it had met all its obligations in terms of full disclosure and that the trading activity appeared related to day traders.

Letters requesting more information surrounding trading in Jupiter Energy's financial products were received from the Australian Securities and Investments Commission (ASIC) on 05 May 2020 and a follow up letter received on 16 September 2020. The Company supplied the initial information requested, to ASIC, on 19 May 2020 and is currently finalising its response to ASIC's 16 September 2020 request.

REMUNERATION

As a result of the COVID-19 pandemic, related travel restrictions and the inability to enter Kazakhstan, Chairman/CEO Geoff Gander's contracted fee structure was suspended, effective 1 March 2020, and fees payable reduced by 25%. The contracted fee structure will be reviewed once travel restrictions are lifted and Kazakh operations return to some form of normality.

ENVIRONMENTAL REGULATION

The consolidated entity is committed to achieving the highest standards of environmental performance. Standards set by the Government of Kazakhstan are comprehensive and highly regulated. The consolidated entity strives to comply not only with all Kazakh government regulations, but also maintain worldwide industry standards.

To maintain these high standards the Group is committed to a locally developed environmental monitoring program. This monitoring program will continue to expand as and when new regulations are implemented and adopted in Kazakhstan. There have been no known breaches of any environmental obligations.

HEALTH & SAFETY

The Group has developed a comprehensive Health and Safety policy for its operations in Kazakhstan and has the appropriate personnel in place to monitor the performance of the Group with compliance under this policy. The Group outsources many of its key drilling functions and as part of any contract entered into with third parties, a commitment to Health & Safety and a demonstrated track record of success in this area is a key performance indicator in terms of deciding on which companies will be contracted.

The COVID-19 pandemic has provided additional challenges to the Company during 2020 and the Board believes it has done all it can to ensure that employees follow local area restrictions and that Aktau operation has exercised vigilance with respect to employee and contractor safety.

MEETINGS OF DIRECTORS

The number of meetings of the Directors held during the year and the number of meetings attended by each Director was as follows:

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

		Board of Directors	
		Number attended	Number eligible to attend
Current Directors			
G Gander		4	4
B Kuandykov		4	4
A Kruzhkov		4	4
P Warren		4	4
A Kuzev		4	4

Due to the small number and geographical spread of the Directors, it was determined that the Board would undertake all of the duties of properly constituted Audit & Compliance and Remuneration Committees.

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.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Group has entered into Deeds of Indemnity with the Directors, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Group has also agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Group against certain liabilities and costs to the extent permitted by law. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Group has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

AUDITOR INDEPENDENCE

The Directors received the declaration included on page 20 of this annual report from the auditor of Jupiter Energy Limited.

NON-AUDIT SERVICES

During the year, the Group incurred \$20,331 to Ernst & Young Kazakhstan LLP for taxation advisory services, which was payable as at 30 June 2020.

There were no other non-audit services provided by the entity's auditors, Ernst & Young during the year.

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. None of the services undermine the general principles relating to auditor independence, including reviewing or auditing the auditor's own work, acting in a management or a decision making capacity for Jupiter Energy Limited, acting as an advocate for Jupiter Energy Limited or jointly sharing economic risks and rewards with Jupiter Energy Limited.

UNISSUED SHARES UNDER OPTION

At the date of this report, there were no share options on issue and no shares were issued as a result of exercise of options during the year.

ROUNDING OF AMOUNTS

Amounts included in this report and in the financial report have been rounded off to the nearest \$1, unless otherwise indicated.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

REMUNERATION REPORT (Audited)

This remuneration report outlines the Director and executive remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Company.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Group.

DETAILS OF KEY MANAGEMENT PERSONNEL

Directors

Geoff Gander	Chairman / CEO (Executive)
Alexey Kruzhkov	Director (Non-Executive)
Baltabek Kuandykov	Independent Director (Non-Executive)
Alexander Kuzev	Independent Director (Non-Executive)
Phil Warren	Independent Director (Non-Executive)

Remuneration Philosophy

The remuneration policy of the Group has been designed to align Directors and executives interests with the shareholder and business objectives by providing a fixed remuneration component and offering long term incentives based on a key performance area – with a focus to the material improvement in share price performance. The Board of the Group believes the remuneration policy to be appropriate to attract and retain the best executives and Directors to run and manage the Group, as well as create goal congruence between Directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board after a review of similar listed and unlisted companies with activities in overseas jurisdictions and taking into account the experience and skill set required to successfully develop operations in these jurisdictions from early stage development. The Group does not have a remuneration committee. The Board is of the opinion that due to the size of the Group, the functions performed by a Remuneration Committee can be adequately handled by the full Board.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives.
- The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The executive Directors receive a superannuation guarantee contribution as required by the government which is currently 9.5%, and do not receive any other retirement benefits. This contribution forms part of their total remuneration package.

REMUNERATION REPORT (Audited) (continued)

REMUNERATION STRUCTURE

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Total remuneration for all non-executive Directors, is not to exceed \$350,000 per annum as approved by shareholders at the Annual General Meeting held on 15 November 2010. Fees for non-executive Directors are not linked to performance of the Group. Non-executive Directors are also encouraged to hold shares in the company.

Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Executive Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- reward executives for Group, business unit and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Group; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board reviews remuneration packages provided by similar listed and unlisted companies with activities in overseas jurisdictions and taking into account the experience and skill set required to successfully develop operations in these jurisdictions from early stage development as well as the salary levels of local workers in that jurisdiction. It is the Board's policy that employment contracts are entered into with the Chief Executive Officer and all key management personnel.

Fixed Remuneration

The fixed remuneration of executives is comprised of a base salary and superannuation. The fixed remuneration of executives is reviewed annually.

Variable remuneration – Short Term Incentives (STI)

The Group operates a STI program for its Kazakh based employees, which is based on a cash bonus subject to the attainment of clearly defined Branch and individual measures.

Actual STI payments awarded to each employee depends on the extent to which specific targets are met, as determined by the Board. The targets consist of a number of key performance indicators (KPIs) covering financial and non-financial Branch and individual measures of performance.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

REMUNERATION REPORT (Audited) (continued)

Directors are not eligible for participation in the STI program.

The CEO may be awarded a one off annual bonus payment by mutual agreement and at the discretion of the Board. In the year ended 30 June 2020, no cash bonuses were paid.

Variable Remuneration – Long Term Incentives (LTI)

Objective

The objectives of long term incentives are to:

- align executives remuneration with the creation of shareholder wealth;
- recognise the ability and efforts of the Directors, employees and consultants of the Group who have contributed to the success of the Group and to provide them with rewards where deemed appropriate;
- provide an incentive to the Directors, employees and consultants to achieve the long term objectives of the Group and improve the performance of the Group; and
- attract persons of experience and ability to employment with the Group and foster and promote loyalty between the Group and its Directors, employees and consultants.

Structure

Long term incentives granted to Directors and senior executives are delivered either in the form of a defined bonus or via the issue of Performance Rights, issued under the Performance Rights Plan. There were no performance rights issued during the current financial year or prior financial year. There is a bonus that forms part of the CEO package which is linked to the sale of the permit area. Under the terms of the package, the CEO is entitled to \$US 350,000 or 0.5% (whichever is greater) of the value of the consideration received if Jupiter or Contract 2275 (pertaining to the main project) is assigned, transferred or sold to a third party during the term of the agreement.

Group Performance

Due to the current developmental stage of the Group's growth it is not appropriate at this time to evaluate the Group's financial performance using generally accepted measures such as EBITDA and profitability; this assessment will be developed over the next few years.

The following information provides a summary of Jupiter Energy's financial performance for the last five years:

	2020 \$	2019 \$	2018 \$	2017 \$	2016 \$
Revenue	5,634,059	8,963,533	2,922,167	-	-
Loss before income tax	(42,352,148)	(8,927,775)	(10,023,725)	(8,076,857)	(10,474,870)
Loss per share (cents)	(27.61)	(5.82)	(6.54)	(5.27)	(6.81)
Last share price at Balance Date	0.015	0.011	0.041	0.25	0.25
Market capitalization	2.30m	0.942m	6.3m	38.3m	38.3m

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

REMUNERATION REPORT (Audited) (continued)

Remuneration of Directors and Executives

Table 1: Remuneration for the year ended 30 June 2020

Name	Short-term benefits			Post-employment benefits	Total	Performance related
	Cash salary and Consulting fees	Cash bonus	Other	Super-annuation		
	\$	\$	\$	\$	\$	%
Non-executive director						
A Kruzhkov*	59,619	-	-	-	59,619	-
B Kuandykov* (a)	429,770	-	-	-	429,770	-
P Warren (b)	-	-	-	-	-	-
A Kuzev* (c)	133,918	-	-	-	133,918	-
Total non-executive director	623,307	-	-	-	623,307	-
Executive director						
G Gander* (d)	289,134	-	-	40,000	329,134	-
Total executives	289,134	-	-	40,000	329,134	-
Totals	912,441	-	-	40,000	952,441	-

*Directors fees from February 2015 have been deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale.

- Amount includes Non Executive Director fee of US\$40,000 (A\$59,880), Consulting Fees of US\$100,000 (A\$147,727) and consulting fees of A\$222,163 (2019: A\$284,985) which are accrued and paid under normal terms and conditions to Meridian Petroleum LLP, of which Mr. Kuandykov is a director, for the provision of geological services at normal commercial rates.
- In accordance with the agreement between Grange Consulting Group Pty Ltd ("Grange") and the Group, the Group incurred A\$144,011 in corporate consulting fees and office rent charged by Grange on normal commercial terms. Of this amount, A\$51,500 was incurred by the Group for services provided by Mr. Warren who is a Director of Grange Consulting. This amount is not included in the remuneration of Mr Warren and is not payable to Mr Warren.
- Amount includes Non Executive Director fee of US\$30,000 (A\$44,714) and Consulting Fees of US\$60,000 (A\$89,204) which are paid on normal commercial terms.
- During the year, consulting fees of A\$289,134 were accrued and paid under normal terms and conditions to Symdean Pty Ltd, of which Mr Gander is a director for his role as CEO. During the year, payments totaling A\$145,273 were made to Mr Geoff Gander in relation to deferred Director fees, which had been accrued in previous years.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

REMUNERATION REPORT (Audited) (continued)

Table 2: Remuneration for the year ended 30 June 2019

Name	Short-term benefits			Post-employment benefits	Total	Performance related
	Cash salary and Consulting fees	Cash bonus	Other	Super-annuation		
	\$	\$	\$	\$	\$	%
Non-executive director						
A Kruzhkov*	55,901	-	-	-	55,901	-
B Kuandykov* (a)	508,588	-	-	-	508,588	-
P Warren (b)	-	-	-	-	-	-
A Kuzev* (c)	83,851				83,851	-
Total non-executive director	648,340	-	-	-	648,340	-
Executive director						
G Gander* (d)	312,884	37,105	-	40,000	389,989	11.86%
Total executives	312,884	37,105	-	40,000	389,989	-
Totals	961,224	37,105	-	40,000	1,038,329	3.57%

*Directors fees from February 2015 have been deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale.

- Amount includes Non Executive Director fee of US\$40,000 (A\$55,901), Consulting Fees of US\$120,000 (A\$167,702) and consulting fees of A\$284,985 (2018: A\$258,414) which are accrued and paid under normal terms and conditions to Meridian Petroleum LLP, of which Mr. Kuandykov is a director, for the provision of geological services at normal commercial rates.
- In accordance with the agreement between Grange Consulting Group Pty Ltd ("Grange") and the Group, the Group incurred A\$151,000 in corporate consulting fees and office rent charged by Grange on normal commercial terms. Of this amount, A\$42,000 was incurred by the Group for services provided by Mr. Warren who is a Director of Grange Consulting. This amount is not included in the remuneration of Mr Warren and is not payable to Mr Warren.
- Amount includes Non Executive Director fee of US\$30,000 (A\$41,926) and Consulting Fees of US\$30,000 (A\$41,926) which are paid on normal commercial terms.
- During the year, consulting fees of A\$349,989 were accrued and paid under normal terms and conditions to Symdean Pty Ltd, of which Mr Gander is a director for his role as CEO. During the year, no payments were made to Mr Geoff Gander in relation to deferred Director fees, which had been accrued in previous years.

Compensation Options: Granted and vested during the year ended 30 June 2020

During the 2020 and 2019 financial years, there were no options granted. No options, listed or unlisted, were exercised during the year.

Performance Rights

During the 2020 and 2019 financial years, there were no performance rights granted.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

REMUNERATION REPORT (Audited) (continued)

Shares issued on Exercise of Compensation Options

There were no shares issued on the exercise of compensation options during the financial years ended 30 June 2020 or 30 June 2019.

Compensation Performance Rights: Granted and vested during the year ended 30 June 2020

During the 2020 and 2019 year, there were no performance rights vested and no additional performance rights were granted.

Shareholdings

The number of shares in the Company held by each Key Management Personnel of Jupiter Energy Limited during the financial year, including their personally-related entities, is set out below:

2020	Balance 1 July 2019	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2020
Directors					
G Gander	811,112	-	-	(811,112) ¹	-
A Kruzhkov	-	-	-	-	-
A Kuzev	-	-	-	-	-
B Kuandykov	-	-	-	-	-
P Warren	-	-	-	-	-
¹ On 23 April 2020, Mr Geoff Gander sold 811,112 shares via an on market trade.					
2019	Balance 1 July 2018	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2019
Directors					
G Gander	811,112	-	-	-	811,112
A Kruzhkov	-	-	-	-	-
A Kuzev	-	-	-	-	-
B Kuandykov	-	-	-	-	-
P Warren	-	-	-	-	-

Performance Rights Holdings

There were no performance rights held by, granted to or exercised by Key Management Personnel during the financial years ended 30 June 2020 or 30 June 2019.

Option Holdings

There were no options held by, granted to or exercised by Key Management Personnel during the financial years ended 30 June 2020 or 30 June 2019.

REMUNERATION REPORT (Audited) (continued)

Service agreements

The Group has an Executive services agreement with its Executive Director and has non-executive appointment letters outlining the policies and terms of appointment, including compensation, for each non-executive Director. These represent the service agreements for all KMP's of the group. The main provisions of the agreements in relation to Directors holding management roles are set out below:

Geoff Gander, Executive Chairman (Effective – 8 September 2017)

Base Terms

- This agreement was effective from 8 September 2017 and has no set term.
- Base Salary of GBP200,000 (A\$340,000) including Director Fees and the current Superannuation Levy of 9.5%.
- Mr Gander will be paid a Bonus of \$US350,000 or 0.5% (whichever is greater) of the value of the consideration received by the Group if the Company or Contract 2275 is assigned, transferred or sold to a third party during the term of the Agreement.
- Director fees of A\$3,333 per month (included in Base Salary figure above), deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale.

As a result of the COVID-19 pandemic, related travel restrictions and the inability to enter Kazakhstan, Geoff Gander's contracted fee structure was suspended, effective 1 March 2020, and fees payable reduced by 25%. The contracted fee structure will be reviewed once travel restrictions are lifted and Kazakh operations return to some form of normality.

During the year, Mr Gander was paid some of his outstanding Director fees, that had been deferred since February 2015, as documented in the table in Note 20(b) of the Financial Statements.

The main provisions of the agreements in relation to non-executive Directors are set out below:

Baltabek Kuandykov, Non-Executive Director (Effective – 5 October 2010)

Mr Kuandykov is entitled to a base fee of US\$ 40,000 per annum. Mr Kuandykov's fees are deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale. Mr Kuandykov will be reimbursed any expenses properly incurred concerning the Group's affairs. Mr Kuandykov has entered in to a management consulting agreement for which he is entitled to US\$ 10,000 per month for services to the Groups Kazakhstan operations. The appointment of Mr Kruzhkov as a non-executive Director is otherwise on terms that are customary for an appointment of this nature.

Alexey Kruzhkov, Non-Executive Director (Effective – 18 June 2016)

Mr Kruzhkov is entitled to a base fee of US\$ 40,000 per annum. Mr Kruzhkov's fees are deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale. Mr Kruzhkov will be reimbursed reasonable expenses incurred in performing his duties, including the cost of attending Board Meetings, travel, accommodation and entertainment where agreed to by the Board. The appointment of Mr Kruzhkov as a non-executive Director is otherwise on terms that are customary for an appointment of this nature.

Alexander Kuzev, Non-Executive Director (Effective – 12 September 2017)

Mr Kuzev is entitled to a base fee of US\$ 30,000 per annum. Mr Kuzev's fees are deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

REMUNERATION REPORT (Audited) (continued)

funds associated with that sale. Mr Kuzev will be reimbursed reasonable expenses incurred in performing his duties, including the cost of attending Board Meetings, travel, accommodation and entertainment where agreed to by the

Board. The appointment of Mr Kuzev as a non-executive Director is otherwise on terms that are customary for an appointment of this nature.

Phil Warren, Non-Executive Director (Effective – 20 April 2018)

Mr Warren is paid a base fee of \$nil and will be reimbursed reasonable expenses incurred in performing his duties, including the cost of attending Board Meetings, travel, accommodation and entertainment where agreed to by the Board. Mr Warren is the Managing Director of Grange Consulting Group Pty Ltd, with which the Group has entered in to a corporate consulting agreement for corporate compliance and financial management services. The appointment of Mr Warren as a non-executive Director is otherwise on terms that are customary for an appointment of this nature.

The termination provisions are as follows:

	Notice period	Payment in lieu of notice
Contractor - initiated termination with reason or for Contractor incapacitation	1 month	12 months
Company - initiated termination without reason	12 months	12 months
Company – initiated termination for serious misconduct	None	None
Contractor – initiated termination without reason	12 months	12 months
Contractor – initiated termination with reason	30 days	12 months

Other Transactions with Key Management Personnel

Baltabek Kuandykov During the year, consulting fees of A\$222,164 (2019: \$284,985) were accrued and paid under normal terms and conditions to Meridian Petroleum LLP, of which Mr. Kuandykov is a director, for the provision of geological services at normal commercial rates. This amount has been included as part of Mr. Kuandykov's remuneration.

Phil Warren During the year, consulting fees of A\$144,011 (2019: A\$151,000) were accrued and paid under normal terms and conditions to Grange Consulting, of which Mr. Warren is a director, for the provision of corporate consulting services and office rent at normal commercial rates.

End of Remuneration Report (Audited)

This report has been made in accordance with a resolution of the Directors.



G A Gander
Director
Perth, Western Australia
7 October 2020



**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 audit of Jupiter Energy Limited for the financial year ended 30 June 2020, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Darryn Hall
Partner
Perth
7 October 2020

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

		Consolidated	
	Note	2020	2019
		\$	\$
Revenue from contracts with customers		5,634,059	8,963,533
Cost of sales		(3,194,429)	(3,403,531)
Gross profit		<u>2,439,630</u>	<u>5,560,002</u>
Other income		107,318	-
Foreign exchange loss		(1,406,647)	(3,552,272)
General and administrative expenses	4	(2,519,824)	(3,403,807)
Impairment expense	7, 13	(32,571,270)	-
Other expenses		(4,432)	-
Operating loss		<u>(33,955,225)</u>	<u>(1,396,077)</u>
Finance income		23,712	20,449
Finance costs	17	(8,420,635)	(7,552,147)
Loss before tax		<u>(42,352,148)</u>	<u>(8,927,775)</u>
Income tax expense	5	-	-
Loss after income tax		<u>(42,352,148)</u>	<u>(8,927,775)</u>
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods			
Foreign currency translation		(680,854)	(1,437,707)
Total comprehensive (loss)/income for the period		<u>(43,033,002)</u>	<u>(10,365,482)</u>
Loss per share for loss attributable to the ordinary equity holders of the Group:			
Basic loss per share (cents)	23	(27.61)	(5.82)
Diluted loss per share (cents)	23	(27.61)	(5.82)

The consolidated statement of comprehensive income is to be read in conjunction with the notes of the financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Consolidated 2020 \$	2019 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	138,980	534,690
Trade and other receivables	7	65,579	79,950
Other current assets	8	101,365	166,184
Inventories	9	25,080	27,474
Total Current Assets		<u>331,004</u>	<u>808,298</u>
Non-Current Assets			
Trade and other receivables	7	-	2,277,059
Oil and gas properties	11	19,549,250	20,427,153
Plant and equipment	12	903,552	1,169,768
Right of use assets	26	72,452	-
Exploration and evaluation expenditure	13	485,567	29,336,875
Other financial assets	10	489,460	459,565
Total Non-Current Assets		<u>21,500,281</u>	<u>53,670,420</u>
Total Assets		<u>21,831,285</u>	<u>54,478,718</u>
Current Liabilities			
Trade and other payables	14	1,723,257	3,347,098
Lease liabilities	26	83,071	-
Other financial liabilities	17	22,030,391	183,319
Contract liabilities	15	538,223	696,102
Total Current Liabilities		<u>24,374,942</u>	<u>4,226,519</u>
Non-current Liabilities			
Provisions	16	358,816	347,411
Other financial liabilities	17	64,844,316	74,618,575
Total Non-Current Liabilities		<u>65,203,132</u>	<u>74,965,986</u>
Total Liabilities		<u>89,578,074</u>	<u>79,192,505</u>
Net Liability		<u>(67,746,789)</u>	<u>(24,713,787)</u>
Equity			
Contributed equity	18	85,633,935	85,633,935
Share based payment reserve	19	5,764,014	5,764,014
Foreign currency translation reserve	19	(28,381,181)	(27,700,327)
Accumulated losses		(130,763,557)	(88,411,409)
Total Equity / (Deficit)		<u>(67,746,789)</u>	<u>(24,713,787)</u>

The consolidated statement of financial position is to be read in conjunction with the notes of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 \$	2019 \$
Cash flow from operating activities			
Receipts from customers		6,147,984	10,781,020
Payments to suppliers and employees		(6,745,436)	(5,202,311)
Interest received		23,712	20,449
Interest paid		(56,932)	(9,660)
Net cash flows from/(used in) operating activities	25	<u>(630,672)</u>	<u>5,589,498</u>
Cash flows from investing activities			
Payments for exploration and evaluation expenditure		(1,808,330)	(6,321,647)
Payments for property, plant and equipment		(112,852)	(320,150)
Net cash flows (used in) investing activities		<u>(1,921,182)</u>	<u>(6,641,797)</u>
Cash flows from financing activities			
Proceeds from unsecured loan		2,298,204	1,192,369
Payments of principal portion of lease liabilities		(146,320)	-
Net cash flows from financing activities		<u>2,151,884</u>	<u>1,192,369</u>
Net increase/(decrease) in cash held		(399,970)	140,070
Effects of exchange rate changes		4,260	(13,621)
Cash at beginning of the year		534,690	408,241
Cash at end of the year	6	<u>138,980</u>	<u>534,690</u>

The statement of cash flows is to be read in conjunction with the notes of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Note	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
		\$	\$	\$	\$	\$
CONSOLIDATED						
As at 1 July 2018		85,633,935	5,764,014	(26,262,620)	(79,483,634)	(14,348,305)
Loss for the period		-	-	-	(8,927,775)	(8,927,775)
Other comprehensive loss	19	-	-	(1,437,707)	-	(1,437,707)
Total comprehensive loss		-	-	(1,437,707)	(8,927,775)	(10,365,482)
At 30 June 2019		85,633,935	5,764,014	(27,700,327)	(88,411,409)	(24,713,787)
As at 1 July 2019		85,633,935	5,764,014	(27,700,327)	(88,411,409)	(24,713,787)
Loss for the period		-	-	-	(42,352,148)	(42,352,148)
Other comprehensive loss	19	-	-	(680,854)	-	(680,854)
Total comprehensive loss		-	-	(680,854)	(42,352,148)	(43,033,002)
At 30 June 2020		85,633,935	5,764,014	(28,381,181)	(130,763,557)	(67,746,789)

The statements of changes in equity is to be read in conjunction with the notes of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The financial report of Jupiter Energy Limited for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 7 October 2020.

Jupiter Energy Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange. Jupiter Energy Limited is a for profit entity.

The nature of the operations and principal activities of the Group are described in the Directors Report on pages 2 to 19 of this report.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis. If required, certain financial instruments will be measured at fair value. The financial report is presented in Australian dollars.

Amounts included in this report and in the financial report have been rounded off to the nearest \$1, unless otherwise indicated.

Going Concern

The consolidated financial statements have been prepared on a going concern basis with the Directors of the opinion that the Group can meet its obligations as and when they fall due.

As at 30 June 2020, the Group had a net current liability position of A\$24,042,938 and available funding of \$US4,980,000 (\$A7,256,000), net of overrun of US\$0.38m (A\$0.55m), under its two existing framework funding agreements (refer to note 17 for additional detail). The Group is able to settle its short term obligations from available funding as, included in the net current liability position balance, are accrued director fees of \$724,979 for which settlement has been deferred and contract liabilities of \$538,223 that will be settled through the physical delivery of oil.

For the Group to be able to continue to carry out intended drilling and evaluation of Block 31 and to have sufficient working capital the group is required to:

- secure additional funding;
- extend the repayment terms of the remaining promissory notes;
- obtain the necessary approvals to transition the Akkar North and West Zhetybai oilfields from exploration to commercial production; and
- obtain approval to continue to flare gas in the transition period from exploration to production and search for a viable option to utilize 100% subsequent to the transition period.

Under the Sub Surface Code, once an oil field is in commercial production it must utilise 100% of the gas it emits via means other than flaring. In order to do this, the oil field requires onsite infrastructure to be in place to utilise gas from oil production. Once the requisite infrastructure is in place and approved, the Company will be able to extract and sell oil under the commercial production license that forms part of the Block 31, 2275 contract. Due to the significant infrastructure required, which is not currently in place, should the Group not receive approvals to produce from the oilfields without the infrastructure or find a suitable alternative:

- the value of Block 31 may not be fully realised as intended and it could have implications on asset values currently recognised in the financial statements;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- the promissory and convertible note facility holders may have right to demand repayment prior to their revised maturity date.

Subsequent to 30 June 2020 the Group has extended the repayment terms of existing promissory and convertible note facility holders to July 2022 and secured an additional US\$6.0million (A\$8.7million) in funding. At the date of this report the Group has a total of US\$10.98million (\$A14.86million) available funding for drawdown. The Directors, are confident of being able to secure further additional funding required to continue to develop Block 31 and after consultation with the Kazakhstan ministry of oil and gas, obtain approvals to both transition the Akkar North and West Zhetybai oilfields from exploration to commercial production and be able to produce and flare gas from the Akkar East and Akkar North oilfields; however there remains uncertainty as to whether all of these matters will be achieved.

Should the Group not achieve all the matters set out above, there is significant uncertainty as to whether the Group 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 assets amounts nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

- New or revised standards and interpretations that are first effective in the current reporting period

The financial report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2019 with the exception of the impact of new and amended standards and interpretations issued by the AASB and effective 1 July 2019.

AASB 16 Leases

The Group has applied all new and revised Australian Accounting Standards that apply to annual reporting periods beginning on or after 1 July 2019, including AASB 16 Leases. AASB 16 replaces AASB 117 Leases and introduces a single lessee accounting model that requires a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Subsequent to initial recognition right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In accordance with the transition requirements of AASB 16, the Group has elected to apply AASB 16 retrospectively to those contracts that were previously identified as leases under the predecessor standard at the date of initial application (i.e. at 1 July 2019). The Group has elected to apply AASB 16 using modified retrospective approach with the cumulative effect, if any, of initially applying the new leases standard recognised as an adjustment to opening accumulated losses at the date of initial application (i.e. at 1 July 2019). The Group recognised each right-of-use asset at the date of initial

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

application at an amount equal to the lease liability on the date of initial application. Accordingly, comparative information has not been restated. Accordingly, comparative information has not been restated. As at 1 July 2019, the Group only applied AASB 16 those contracts that were previously identified as leases under the legacy standards.

The Group has also elected to apply the following practical expedients to the measurement of right-of-use assets and lease liabilities in relation to those leases previously classified as operating leases under the predecessor standard:

- To not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value, that is, less than US\$5,000 (AU\$ 7,137);
- To rely on its assessment of whether leases are onerous applying AASB 137 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review.
- To exclude initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- To not recognise a right-of-use asset and a lease liability for leases for which the lease term ends within 12 months of the date of initial application.

Short term leases and low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption (i.e. below US\$5,000/A\$7,137). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Refer to Note 26 for further details of the impact of AASB 16 on transition.

Several other standard amendments and interpretations were applicable for the first time from 1 July 2019, but were not relevant to the Group and do not impact the Group's consolidated financial statements.

ii. Standards and interpretations issued or amended but not yet effective

The Group has not elected to apply any pronouncements before their effective date in the financial year ended 30 June 2020.

The Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and that have not been adopted by the Group are as follows:

AASB 2018-6: Amendments to Australian Accounting Standards – Definition of a Business (applicable for annual reporting periods beginning on or after 1 July 2020).

AASB 2018-6 amends AASB 3: Business Combinations to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The amendments:

- a) clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- b) remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- c) add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- d) narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- e) add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2018-7: Amendments to Australian Accounting Standards – Definition of Material (applicable for annual reporting periods beginning on or after 1 July 2020).

AASB 2018-7 principally amends AASB 101: Presentation of Financial Statements and AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2020-1: Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current (applicable for annual reporting periods beginning on or after 1 July 2022).

AASB 2020-1 amends AASB 101 *Presentation of Financial Statements* to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current.

This Standard is not expected to significantly impact the Group's financial statements.

AASB 2020-3: Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments (applicable for annual reporting periods beginning on or after 1 July 2022).

AASB 2020-3 amends AASB 1 *First-time Adoption of Australian Accounting Standards*, AASB 3 *Business Combinations*, AASB 9 *Financial Instruments*, AASB 116 *Property, Plant and Equipment*, AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* and AASB 141 *Agriculture* as a consequence of the recent issuance by IASB of the following IFRS: *Annual Improvements to IFRS Standards 2018-2020, Reference to the Conceptual Framework, Property, Plant and Equipment: Proceeds before Intended Use and Onerous Contracts – Cost of Fulfilling a Contract*.

This Standard is not expected to significantly impact the Group's financial statements.

The Group intends to adopt these standards when they become effective.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Jupiter Energy Limited and its subsidiaries (as outlined in Note 28). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss; and

Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

(d) Significant accounting estimates and assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Production start date

The group assesses each well to determine when the well moves into the production stage. This is when the well is substantially completed and ready for intended use. The group considers various criteria in determining the production start date, including but not limited to, results of well testing, the ability of the well to sustain ongoing production, installation of the relevant well infrastructure and receiving the relevant regulatory approvals.

When the well moves into the production stage the capitalisation of certain development costs ceases and costs incurred are expensed as a production cost. It is also at this point when that the well commences depreciation. Any proceeds received from oil sales prior to the production start date as part of any well testing, are deducted from the asset.

Impairment of assets

At each reporting date, the Group reviews the carrying values of its assets to determine whether there is any indication those assets have been impaired. The Group has determined that impairment indicators existed for the current reporting period, and assessed the recoverable value of Block 31. In making this judgement, management have considered internal and external sources of information including an assessment of operational performance as well as key modelling assumptions such as current and forecast oil price, discount rates, market valuations for similar assets and the market capitalisation of the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Specific consideration has been given to the external sources of information, in particular current and forecast oil prices, as a result of COVID-19 impacting the current economic climate. Global oil prices have been significantly affected during the year, which has been factored into management's impairment assessment. Refer to Note 13 for further details.

The Group has a 25 year Commercial Production Licence which could allow continued operations, but there are a number of key requirements that are needed before commercial production can commence, the most critical of which is providing infrastructure to allow all three oilfields to produce oil with 100% gas utilization. This infrastructure is not currently in place.

Recognition of deferred tax assets

Judgement is required in determining whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the likelihood that the Group will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Judgment is also required in respect of the application of existing tax laws in each jurisdiction.

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes oil prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation is set out in note 2(f). The application of this policy necessarily requires management to make certain judgements, estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves may be found. Any such, estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the Group's policy, management concludes that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the profit and loss.

During the year the Group applied to transfer the Akkar East oilfield from an exploration phase to Commercial Production under the Block 31 contract. The Group also applied for extensions to trial production licenses for the Akkar North (East Block) and West Zhetybai oilfields. The trial production licences were extended by the Kazakh authorities with the requirement to transition these fields to Commercial production within defined periods. For Akkar North (East Block) this period runs until the end of December 2020 and for West Zhetybai the period ends at the beginning of September 2021.

As part of transitioning to Commercial Production a final reserves report for each oilfield needs to be submitted and approved by the Kazakh Ministry of Energy. This report defines the approved reserves for production during the Commercial Production period. Any acreage within the oilfield that has no defined reserves will be relinquished as part of this process. Based on the various approvals received or likely to be received from the Kazakh Ministry of Energy and the resulting expected future oil production from the Akkar East, Akkar North (East Block) and West Zhetybai oilfields, the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Group assessed whether it was appropriate to continue carry forward capitalised exploration and evaluation costs. During the year, the Group recognised an impairment expense of \$30,619,326 (2019: nil) in relation to its capitalised exploration and evaluation costs. Subsequent to 30 June 2020, the necessary approvals were granted to allow the Akkar East oilfield to move into commercial production. The same process will now be followed for Akkar North with final reserves for the oilfield in the process of being submitted. The Group is committed to continued expenditure towards developing new wells and currently has no plans to abandon or cease continued evaluation and development on any site.

Provision for restoration

Costs of site restoration are provided over the life of the field and related facilities from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the permits.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Units of production depreciation of oil and gas properties

Oil and gas properties are depreciated using the units of production (UOP) method over total proved and probable hydrocarbon reserves. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining production from the field/well.

Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the field at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves. The calculation of the UOP rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on total proved and probable reserves. Changes to proved and probable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on proved and probable reserves of differences between actual commodity prices and commodity price assumptions; or
- Unforeseen operational issues.

Changes are accounted for prospectively.

Recoverability of oil and gas properties

The Group assesses each asset or cash generating unit (CGU) (excluding goodwill, which is assessed annually regardless of indicators) every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. These assessments require the use of estimates and assumptions such as long-term oil prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, decommissioning costs, exploration potential, reserves operating performance (which includes production and sales volumes).

These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. Management has assessed Block 31 as being an individual CGU, which is the lowest level for which cash inflows are largely independent.

In measuring the recoverable amount, future cashflows are sensitive to changes in the following key assumptions;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- Forecast commodity prices and exchange rates;
- Production volumes, reserves and timing of export sales;
- Recoverable reserves;
- Cost assumptions; and
- Discount rate

In accordance with the Group's accounting policy, the Group's CGU was tested for indicators of impairment as at 30 June 2020 and the recoverable amount was determined through a value in use model. This assessment supported the recoverability of the Block 31 CGU consisting of the Akkar East, Akkar North (East Block) and West Zhetybai oil fields.

Fair value measurement

Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. Fair value is generally determined as the present value of estimated future cash flows arising from the continued use of the assets, which includes estimates such as the cost of future expansion plans and eventual disposal, using assumptions that an independent market participant may take into account. Cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(e) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the part is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Plant and equipment – over 3 to 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected to be derived from its use or disposal on a prospective basis.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

(f) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Unsuccessful exploration in the area of interest is expensed as incurred even if activities in this area of interest are continuing. Accumulated costs in relation to an abandoned area are written off in full to profit or loss in the year in which the decision to abandon the area is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When a discovered oil or gas field enters the development phase or an individual well is assessed as being in production (once a trial production licence is granted) the accumulated exploration and evaluation expenditure is transferred to oil and gas properties or property plant and equipment, depending on its nature.

(g) Oil and gas properties

Oil and gas properties usually comprise single oil or gas fields being developed for future production or which are in the production phase. Where several individual oil fields are to be produced through common facilities, the individual oil field and the associated production facilities are managed and reported as a single oil and gas asset.

Assets in development

When the technical and commercial feasibility of an undeveloped oil or gas field has been demonstrated, the field enters its development phase. The costs of oil and gas assets in the development phase are accounted for as tangible assets and include past exploration and evaluation costs, development drilling and plant and equipment and any associated land and buildings.

Producing assets

The costs of oil and gas assets in production are accounted for as tangible assets and include past exploration and evaluation costs, pre-production development costs and the ongoing costs of continuing to develop reserves for production and to expand or replace plant and equipment and any associated land and buildings. Producing assets are depreciated over total proved and probable reserves on a unit of production basis.

(h) Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets (excluding goodwill) to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

(i) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at amortised cost amount less an allowance for expected credit losses. A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

(j) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand. A deposit is defined as short-term, if it has a maturity of three months or less from the date of acquisition.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and any estimated selling costs.

(l) Trade and other payables

Trade payables and other payables are carried at amortised costs and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Financial assets and liabilities

Financial assets are classified as measured at amortised cost, fair value through profit or loss, or fair value through other comprehensive income. The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest are made based on the facts and circumstances at initial recognition of the assets.

Taxation receivables are considered statutory in nature and are measured at the tax rate when the transaction subject to tax occurred.

Impairment:

Under AASB 9, impairments of financial assets classified as measured at amortised cost are recognised on an expected loss basis which incorporates forward-looking information when assessing credit risk. Movements in the expected loss reserve are recognised in profit or loss.

For trade receivables, a simplified approach is used and for all other receivables, a general approach is used whereby the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. If the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for the financial instrument at an amount equal to expected credit losses within the next 12 months. Expected credit losses are a probability-weighted estimated of credit losses over the expected life of the financial instrument. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Expected credit losses are discounted at the effective interest rate of the financial asset.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss ('FVTPL'), loans and borrowings, or as derivatives, as appropriate. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings. The Group did not recognise any financial liabilities as at FVTPL.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Income tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that is credited directly to equity, in which case the deferred tax is adjusted directly against equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST or VAT except:

- where the GST or VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST or VAT included.

The net amount of GST or VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST or VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST or VAT recoverable from, or payable to, the taxation authority.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Revenue

The Group's revenue accounting policy is detailed below:

Sale of Oil:

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. Revenue is recognised at the amount to which the Group expects to be entitled.

Contract balances:

Contract Assets:

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Contract liabilities:

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract. The Group applies a practical expedient available under AASB 15 by which the Group does not adjust the promised amount of consideration for the effects of a significant financing component because the Group expects,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at contract inception, that the period between when the Group transfers the goods or services to a customer and when the customer pays for those goods or services will be one year or less.

(r) Loss per share

Basic loss per share is calculated as net profit attributable to members of the parent, adjusted to exclude any preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted loss per share is calculated as net profit attributable to members of the parent, adjusted for:

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in income or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Restoration

Costs of site restoration are provided over the life of the field or facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the permits. Such costs have been determined based on current legal requirements and technology. In calculating the provision the future estimated costs are discounted to present value.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(t) Employee leave benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled wholly within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date. They are measured at the nominal amounts based on current wage and salary rates, and include related on-costs. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(u) Foreign currency transactions and balances

Functional and presentation currency

Both the functional and presentation currency of Jupiter Energy Limited and each of its Australian subsidiaries are Australian dollars (\$). The results and financial position of foreign subsidiaries whose functional currencies are not Australian dollars are translated to the presentation currency of the Group, being Australian dollars (\$).

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency

The results of the foreign subsidiaries are translated into Australian Dollars (presentation currency of the Group) using weighted average rates. Assets and liabilities are translated at exchange rates prevailing at reporting date. Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

On consolidation, exchange differences arising from the translation of the net assets in the foreign subsidiaries are taken to the foreign currency translation reserve. If a foreign subsidiary was disposed, the related cumulative amount of exchange differences would be reclassified to profit or loss.

(v) Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Board of Directors (the chief operating decision makers) to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the executive management team.

Operating segments are identified based on the information provided to the chief operating decision makers. Currently the Group has only one operating segment, being the Group.

(w) Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term out of money borrowed specifically to finance a project, the income generated from the temporary investment of amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the probable economic benefits test and also are rarely debt funded. Any related borrowing costs are therefore generally recognised in profit or loss in the period they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, borrowings, payables and cash.

Risk exposures and responses

The main purpose of these financial instruments is to provide finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Interest rate risk

The Group's exposure to market risk for changes in interest rates is only on cash and cash equivalents. Other financial liabilities in the form of Promissory notes carry fixed interest and are therefore not subject to interest rate risk.

At balance date, the Group had the following mix of financial assets and liabilities exposed to interest rate risk:

	Consolidated	
	2020	2019
	\$	\$
Financial Assets		
Cash and cash equivalents	138,980	534,690
Net exposure	<u>138,980</u>	<u>534,690</u>

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of financial instruments affected. With all other variables held constant, the Group's profit before tax is affected as follows:

	Consolidated	
	2020	2019
	\$	\$
Pre-tax gain / (loss) and equity		
+1%	1,390	5,347
-1%	(1,390)	(5,347)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At balance date, the Group had the following exposure to United States Dollars (USD) and Great Britain Pound (GBP) foreign currency that is not designated in cash flow hedges:

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Consolidated	
	2020	2019
	\$	\$
Financial Assets		
Cash and cash equivalents		
USD	132,098	440,937
GBP	365	19,068
	<u>132,463</u>	<u>460,005</u>
Financial Liabilities		
Other financial liabilities		
USD	(86,874,707)	(74,801,895)
	<u>(86,874,707)</u>	<u>(74,801,895)</u>
Net exposure	<u>(86,742,244)</u>	<u>(74,341,890)</u>

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the Australian dollar to the United States Dollar and Great Britain Pound (GBP), with all other variables held constant. The 5% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 periods.

	Consolidated	
	2020	2019
	\$	\$
Post – tax gain / (loss)		
+5%	(4,337,130)	(3,718,048)
-5%	4,337,130	3,718,048

Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, a liquidation fund and trade receivables, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The Group continuously monitors the credit quality of counterparties. Where available, external credit ratings and/or reports on the counterparty are obtained and used. The group's policy is to deal only with credit worthy counterparties. Credit terms are subject to an internal approval process which considers the credit rating of the customer. The ongoing credit risk is managed through regular review of ageing analysis.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank overdrafts, promissory notes, finance leases and hire purchase contracts.

The contractual maturities of the Group's financial assets and liabilities are shown in the table below. Undiscounted cash flows for the respective years are presented.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2020	2020	2020	2020	2019	2019	2019	2019
	Within one year	After one year but not more than five years	More than five years	Total	Within one year	After one year but not more than five years	More than five years	Total
	\$	\$	\$	\$	\$	\$		\$
Financial liabilities								
Trade and other payables	1,723,257	-	-	1,723,257	3,347,098	-	-	3,347,098
Lease liabilities	90,708	-	-	90,708	-	-	-	-
Promissory Notes	25,334,950	74,570,963	-	99,905,913	183,318	74,618,575	-	74,801,893
Total outflows	27,148,915	74,570,963	-	101,719,878	3,530,416	74,618,575	-	78,148,991
Financial assets								
Cash and cash equivalents	138,980	-	-	138,980	534,690	-	-	534,690
Trade and other receivables	65,579	-	-	65,579	79,950	2,277,059	-	2,357,009
Other financial assets	-	-	489,460	489,460	-	-	459,565	459,565
Total inflows	204,559	-	489,460	694,019	614,640	2,277,059	459,565	3,351,264
Liquidity gap	(26,944,356)	(74,570,963)	489,460	(101,025,859)	(2,915,776)	(72,341,516)	459,565	(74,797,727)

As at 30 June 2020, the Company had drawn down US\$4.64m (A\$6.76m) under the \$US5.0m 2017 Funding Agreement. As at 30 June 2020, a total of \$US5.36m (A\$7.81m) was available to the Company under the 2017 Funding Agreement, including the additional \$US5.0m committed by Waterford Finance and Investment Limited in March 2020.

As at 30 June 2020, the 2016 Funding Agreement had been fully drawn and had an overrun of US\$0.38m (A\$0.55m). 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 2020, is a net \$US4.98m (A\$7.26m).

Management and the Board monitor the Group's liquidity on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the Board includes monthly and annual cash flow budgets.

Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

All of the Group's financial liabilities are carried at amortised cost, with the carrying value approximating the fair value.

4. GENERAL AND ADMINISTRATIVE EXPENSES

	Consolidated	
	2020	2019
	\$	\$
Administration and compliance expenses	847,725	767,824
Penalties and Fines ¹	268,143	1,247,931
Employee benefits ²	390,946	405,517

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Superannuation	36,667	36,667
Consulting fees	550,535	592,027
Depreciation and amortization expense ³	13,141	7,241
Directors Fees	239,361	201,989
Legal fees	64,488	77,840
Occupancy expenses	108,818	66,771
Total expenses	<u>2,519,824</u>	<u>3,403,807</u>

1. The Group has a commitment to meet the expenditure as outlined in the Work Program for the relevant oil fields. Failure to meet the expenditure agreed to in the Work Program results in fines penalties for the Group. In the year ended 30 June 2020, fines and penalties of \$268,143 (2019: \$1,247,931) were incurred.
2. A further \$305,757 (2019: \$261,198) of employee benefit costs were included within the Cost of Sales line item in the Statement of Comprehensive Income.
3. Depreciation and amortisation expenses associated with Kazakhstan operations are recorded in Cost of Sales rather than General and administration expenses for the year ended 30 June 2020 for those oil wells that were in production. \$913,557 (2019: \$785,948) of depreciation and amortisation costs were included within the Cost of Sales line item in the Statement of Comprehensive Income.

From February 2015 payment of director fees have been deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale.

5. TAXATION

Prima facie income tax on operating (loss) is reconciled to the income tax benefit provided in the financial statements as follows:

	Consolidated	
	2020	2019
	\$	\$
Prima facie income tax benefit on operating (loss) at the Australian tax rate of 27.5% (2019: 27.5%)	(11,646,841)	(2,455,138)
Non-deductible expenditure:		
- Effect of tax rates in foreign jurisdictions	128,197	(255,940)
• Interest expense	2,315,675	2,079,497
Temporary differences and tax losses not brought to account as a deferred tax asset	9,202,969	631,581
Income tax expense	<u>-</u>	<u>-</u>

Deferred Income Tax

Deferred income tax at 30 June relates to the following:

Consolidated

Deferred tax assets		
Unrealised FX (gain) / loss	(410,312)	(721,543)
Tax losses – Australia	9,180,622	8,839,312
Tax losses – Foreign Subsidiaries	7,042,904	2,517,948

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Deferred tax assets not recognized	(15,813,214)	(10,635,717)
Deferred tax (income)/expense	-	-
Net deferred tax recognised in Balance Sheet	-	-

The Consolidated Group has unrecognized tax losses of \$33,384,080 (2019: \$32,142,952) that are available for offset against future taxable profits of the companies in which the losses arose.

The potential deferred tax asset will only be realised if:

- The relevant Group derives future assessable income of a nature and an amount sufficient to enable the asset to be realised, or the asset can be utilised by another Group in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- The relevant Group and/or consolidated entity continues to comply with the conditions for deductibility imposed by the Law; and
- No changes in tax legislation adversely affect the relevant Group and/or consolidated entity in realising the asset.

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2020	2019
	\$	\$
Cash at bank and in hand	138,980	534,690
	<u>138,980</u>	<u>534,690</u>

The bank accounts are at call and pay interest at a weighted average interest rate of 0.04% at 30 June 2020 (2019: 0.04%)

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2020	2019
	\$	\$
Current		
Trade receivables	10,347	10,335
Other debtors ⁽¹⁾	55,232	69,615
	<u>65,579</u>	<u>79,950</u>
Non-current		
VAT receivable	-	2,277,059

(1) Other debtors comprises other prepaid taxes.

During the year the Group recognised an impairment charge in relation to its exploration and evaluation assets, as disclosed in Note 2(d) and 13. As a result of this, the Group has written down the VAT receivable to nil. This was recognised as an expense during the year, of \$1,951,944, and included within Impairment expense in the Statement of Comprehensive Income.

The Group's exposure to credit and currency risks is disclosed in Note 3. All of the non-current other debtor balance is VAT receivable which will be offset against future taxes payable on oil revenue.

There are no receivables as at 30 June 2020 for which expected credit losses have been recognised (2019: nil)

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. OTHER CURRENT ASSETS

	Consolidated	
	2020	2019
	\$	\$
Prepayment	62,799	112,062
Other	38,566	54,122
	<u>101,365</u>	<u>166,184</u>

9. INVENTORIES

	Consolidated	
	2020	2019
	\$	\$
Supplies	25,080	27,474
	<u>25,080</u>	<u>27,474</u>

10. OTHER FINANCIAL ASSETS

	Consolidated	
	2020	2019
	\$	\$
Liquidation fund	489,460	459,565
	<u>489,460</u>	<u>459,565</u>

The Group has a deposit for the purpose of a Liquidation fund in the amount of \$489,460. The deposit is to be used for land restoration when required. Under the laws of Kazakhstan, the deposit must be replenished in the amount of 1% of the annual investments. The fair value approximates the carrying value.

11. OIL AND GAS PROPERTIES

	Consolidated	
	2020	2019
	\$	\$
Oil and Gas Properties carried forward:		
Oil and gas properties at cost	22,152,915	22,665,211
Depletion	(2,603,665)	(2,238,056)
Net Carrying Value	<u>19,549,250</u>	<u>20,427,153</u>
Movements during the year		
Opening Balance	20,427,153	17,228,238
Net exchange differences	(531,662)	(629,146)

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Transfers from exploration and evaluation assets	90,792	4,311,210
Change in estimate of restoration liability	11,615	-
Depletion Charge for the year	(448,648)	(483,149)
Closing Balance	<u>19,549,250</u>	<u>20,427,153</u>

12. PLANT AND EQUIPMENT

	Consolidated	
	2020	2019
	\$	\$
Property, plant and equipment carried forward:		
Property, plant and equipment at cost	2,392,096	2,383,259
Accumulated depreciation	(1,488,545)	(1,213,491)
Net Carrying Value	<u>903,552</u>	<u>1,169,768</u>
Movements during the year		
Opening Balance	1,169,768	564,453
Net exchange differences	(43,401)	(10,733)
Transfers from exploration and evaluation assets	-	605,938
Additions	97,262	331,159
Disposals	-	(11,009)
Depreciation charge for the year	(320,077)	(310,040)
Closing Balance	<u>903,552</u>	<u>1,169,768</u>

13. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2020	2019
	\$	\$
Exploration expenditure carried forward:		
Exploration and evaluation expenditure at cost, net of accumulated impairment	<u>485,567</u>	<u>29,336,875</u>
Movements during the year		
Balance at beginning of year	29,336,875	28,614,808
Expenditure incurred during the year	1,808,330	6,321,648
Transferred to Oil and Gas Properties	(90,792)	(4,311,210)
Transferred to Property Plant and Equipment	-	(605,938)
Foreign exchange translation	50,480	(682,433)
Impairment expense ^(a)	(30,619,326)	-
Balance at end of year	<u>485,567</u>	<u>29,336,875</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Oil sales revenue capitalised into exploration and evaluation expenditure for the current and prior year was \$nil.

(a) Impairment of Exploration and Evaluation Expenditure

As outlined in Note 2(d) during the year, the Group applied to transfer Akkar East oilfield from an exploration phase to Commercial Production under the Block 31 contract, which was approved by the Kazakh authorities subsequent to the reporting date, and is also in the process of applying to transfer the Akkar North (East Block) to Commercial Production. As part of submitting the final reserves for the commercial production and relinquishing any parts of the oilfields with no defined reserves the Group concluded, based current forecasts, that capitalised exploration and evaluation costs were not recoverable and recognised an impairment expense of \$30,619,326 (2019: nil) within the Impairment expense line item in the Statement of Comprehensive Income. The carrying value of exploration and evaluation expenditure as at 30 June 2020, net of impairment, relates to the West Zhetybai oilfield, with final reserves expected to be submitted for this oilfield in the 2021 calendar year.

The Group assesses each asset or cash generating unit (CGU) every reporting period to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. Management has assessed Block 31 as being an individual CGU, which is the lowest level for which cash inflows are largely independent.

The recoverable amount of the Group's CGU is calculated using the value-in-use method (VIU), which reflects the present value of the future cash flows expected to be derived from the CGU. This calculated recoverable amount is then compared with the carrying value of the assets of the CGU. Arising from the VIU calculations, an impairment expense of \$30,619,326 (2019: nil) has been recognised.

In measuring the recoverable amount, the following key assumptions were used:

- Discount rate: 16%
- Production volume over the life: ~2,181,000 tonnes
- Long term oil price – ~US \$60/bbls

The impairment charge relating to Block 31 reflects the global oil prices which have fallen significantly during the year, partly due to the softening of the market as a result of the COVID-19 pandemic. The recoverability of Block 31 is highly sensitive to changes in the long term oil prices.

14. TRADE AND OTHER PAYABLES

	Consolidated	
	2020	2019
	\$	\$
Trade creditors	1,069,640	1,323,553
Accrued expenses	653,617	2,023,545
	<u>1,723,257</u>	<u>3,347,098</u>

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

15. CONTRACT LIABILITY

	Consolidated	
	2020	2019
	\$	\$
Contract liability	<u>538,223</u>	<u>696,102</u>

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The contract liability refers to amounts received in advance for oil sales. As at 30 June 2020, there is approximately 3,388 tonnes of oil to be delivered under the contract (2019: 2,522 tonnes). This obligation is expected to be fulfilled within the quarter ending 30 September 2020.

16. PROVISIONS

	Consolidated	
	2020	2019
	\$	\$
Non – current		
Provision for rehabilitation	358,816	347,410
	<u>358,816</u>	<u>347,410</u>

The Group accrues provisions for the forthcoming costs of rehabilitation of the territory. On the basis of forecasts the cost of rehabilitation of the oilfield would be \$358,816 (2019: \$347,410). The timing of rehabilitation is likely to depend on when the field ceases to produce at economically viable rates which is currently estimated to be 2044 (2019: 2044). This will depend upon future oil and gas prices, which are inherently uncertain. The underlying rehabilitation costs are denominated in Tenge and in calculating the provision at 30 June 2020 a discount rate of 7.47% (2019: 7.46%) was used.

Movements in rehabilitation provision

	2020	2019
	\$	\$
Carrying amount at beginning of the year	347,410	244,258
Unwinding of discount rate	12,683	9,612
Foreign exchange translation	(12,892)	(13,000)
Re-measurement for changes in estimates ¹	11,615	74,397
Provision for new wells	-	32,144
Carrying amount at the end of year	<u>358,816</u>	<u>347,410</u>

(1) Due to a change in the discount rate and the expected timing of when the rehabilitation activities will be undertaken.

17. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprises the following unsecured promissory notes as at 30 June 2020:

	Accrued Principal and Interest	
	2020	2019
	\$	\$
2017 Funding Agreement (max \$US 5m)	6,762,017	3,746,743
2016 Funding Agreement (max \$US 5m)	7,836,828	6,921,764
Refinanced Series B Promissory Note	23,290,326	20,666,478
Promissory Note – Discharge of Convertible Notes ¹	48,985,537	43,466,910
Total	<u>86,874,707</u>	<u>74,801,894</u>

1) In May 2016, the Group issued a series of promissory notes to discharge its obligations under a convertible note deed originally dated 20 September 2013. There is no conversion feature associated with this promissory note.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 2) There has been no change to the terms and conditions of any of the promissory notes to that disclosed in the 30 June 2019 Annual Report, except for the extension dates for all Promissory Notes, other than Mobile Energy, having their repayment date extended to July 2021 in March 2020. Additionally, subsequent to the year ended 30 June 2020, an extension to the repayment date has been granted. Refer to Note 27 Subsequent Events for further details.

Movements in the balance and presentation of other financial liabilities during the year were as follows:

	Consolidated	
	2020	2019
	\$	\$
Current		
Promissory notes (unsecured) - Opening Balance	183,318	-
Change in current/non-current classification ⁽¹⁾	19,365,167	171,611
Drawdowns during the financial year	-	-
Interest accrued	2,100,394	10,534
Impact of foreign exchange	381,512	1,173
Promissory Notes (Unsecured) - Closing balance	22,030,391	183,318

	Consolidated	
	2020	2019
	\$	\$
Non-Current		
Promissory notes (unsecured) - Opening Balance	74,618,575	62,510,430
Change in current/non-current classification ⁽¹⁾	(19,365,167)	(171,611)
Drawdowns during the financial year	2,298,205	1,192,369
Interest accrued	6,263,309	7,541,612
Impact of foreign exchange	1,029,394	3,545,775
Promissory Notes (Unsecured) - Closing balance	64,844,316	74,618,575

- (1) The promissory notes issued under the Promissory Note agreement for debtholder Mobile Energy (reassigned to Blackbird Trust subsequent to 30 June 2020) were repayable on 1 July 2020 (or such later date as agreed by the parties in writing). They have therefore been reclassified as current. Subsequent to period end an extension to the repayment date was granted (Refer to Note 27 Subsequent Events for further detail).
- (2) Interest relating to promissory notes totals \$8,363,703 (2019: \$7,552,147). Finance costs in the Statement of Comprehensive Income also include interest expense recognised in relation to lease liabilities of \$40,774 (2019: nil) and other interest expense of \$16,158 (2019: nil).

Promissory Notes

The key terms of the 2017 Funding Agreement are:

- Unsecured
- Effective 31 July 2017
- US\$100,000 (and any interest thereon) repayable on 31 July 2021 (or such later date agreed by the parties in writing) (the "Repayment Date")
- US\$4.9m (and any interest thereon) repayable on 31 July 2021 (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

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 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. No Liability has been recognized, as no sale agreement has been entered into. Interest rate of 15% pa

As at 30 June 2020, the Company had drawn down US\$4.64m (A\$6.76m) under the \$US5.0m 2017 Funding Agreement. As at 30 June 2020, a total of \$US5.36m (A\$7.81m) was available to the Company under the 2017 Funding Agreement, including the additional \$US5.0m committed by Waterford Finance and Investment Limited in March 2020.

As at 30 June 2020, the 2016 Funding Agreement had been fully drawn and had an overrun of US\$0.38m (A\$0.55m). 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 2020, is a net \$US4.98m (A\$7.26m).

On 2 July 2020 a Deed of Assignment was signed between Jupiter Energy Limited, Mobile Energy Limited and Blackbird Trust, whereby the outstanding Notes held by Mobile Energy Limited, totaling \$US15,119,458 (\$A22,030,391) as at 30 June 2020 (principal and accrued interest) were assigned to Blackbird Trust.

The key terms of the 2016 Funding Agreement (including the Refinanced Series B Promissory Note) are:

- Unsecured
- Effective 24 May 2016
- Drawdowns will roll into a Promissory Note
- Promissory Note is repayable on 1 July 2021
- Interest rate of 15% pa
- Interest will accrue and be repayable with principal
- Lender 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.

The key terms of the Promissory Note – Discharge of Convertible Notes:

- Unsecured
 - Effective 24 May 2016
 - Note is repayable on 1 July 2020¹ and 1 July 2021
 - Interest rate of 15% pa
 - Interest will accrue and be repayable with principal
- Lender 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

¹ The promissory notes issued under the Promissory Note agreement for debtholder Mobile Energy (reassigned to Blackbird Trust subsequent to 30 June 2020) were repayable on 1 July 2020 (or such later date as agreed by the parties in writing). Subsequent to period end an extension to the repayment date was granted (Refer to Note 27 Subsequent Events for further detail).

There are no covenants associated with the Promissory notes to which the Group would have to comply.

18. CONTRIBUTED EQUITY

	Consolidated	
	2020	2019
	\$	\$
Shares issued and fully paid ¹		
Ordinary shares (a)	85,633,935	85,633,935
	<u>85,633,935</u>	<u>85,633,935</u>

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	Number 2020	Number 2019
(a) Movements in ordinary share capital:		
Balance 30 June 2019	153,377,693	153,377,693
Balance 30 June 2020	153,377,693	153,377,693

1. These shares have no par value.

Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2020 and none are expected to be paid in 2021.

The Group is not subject to any externally imposed capital requirements.

19. RESERVES

	Foreign currency translation reserve	CONSOLIDATED Share based payments reserve	Total
	\$	\$	\$
At 30 June 2018	(26,262,620)	5,764,014	(20,498,606)
Share based payment	-	-	-
Foreign currency translation	(1,437,707)	-	(1,437,707)
At 30 June 2019	(27,700,327)	5,764,014	(21,936,313)
Share based payment	-	-	-
Foreign currency translation	(680,854)	-	(680,854)
At 30 June 2020	(28,381,181)	5,764,014	(22,617,167)

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Share based payments reserve

The share based payments plan reserve is used to record the value of equity benefits provided to eligible employees as part of their remuneration. There have been no share based payments during the year ended 30 June 2020 (2019: none).

20. KEY MANAGEMENT PERSONNEL AND RELATED PARTY DISCLOSURE

This note is to be read in conjunction with the Remuneration Report, included in the Directors Report on pages 12 to 19.

(a) Key management personnel compensation

	Consolidated	
	2020	2019
	\$	\$
Short-term employee benefits	912,441	998,329
Post-employment benefits	40,000	40,000
	<u>952,441</u>	<u>1,038,329</u>

(b) Transactions between the Group and other related parties

Consultancy fees

During the year, consulting fees of \$222,164 (2019: \$284,985) were accrued and paid under normal terms and conditions to Meridian Petroleum LLP, of which Mr. Kuandykov is a director, for the provision of geological services at normal commercial rates. This amount has been included in the payments to key management personnel above. As at 30 June 2020, \$23,055 was outstanding and payable to Meridian Petroleum LLP.

During the year, consulting fees of \$144,011 (2019: \$151,000) were accrued and paid under normal terms and conditions to Grange Consulting of which Mr Warren is a director. As at 30 June 2020, \$11,640 (incl GST) was outstanding and payable to Grange Consulting. The consulting fees includes the provisions of key management personnel services to the Group.

The total deferred fees owing to each related party are included within Trade and Other Payables in the Statement of Financial Position and have been detailed below:

	2020 \$	2019 \$
Geoff Gander ¹	72,100	177,377
Baltabek Kuandykov	304,362	243,548
Alexey Kruzhkov	221,850	161,037
Alexander Kuzev	126,667	81,056
Total	724,979	663,018

¹ During the year, payments totaling A\$145,273 were made to Mr Geoff Gander in relation to deferred Director fees, which had been accrued in previous years.

These are deferred until such time that at least US\$5,000,000 in new equity is raised or alternatively the Group sells the Block 31 licence and receives the funds associated with that sale. The deferred director fees will be paid in cash.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. COMMITMENTS FOR EXPENDITURE

Exploration Work Program Commitments

The Group 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. 2272 dated 29 December 2006 with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

Exploration work program commitments contracted for that are payable:

	2020	2019
	\$	\$
- not later than one year	3,965,380	-
- later than one year but not later than five years	-	-
	<u>3,965,380</u>	<u>-</u>

The amount included within the work program commitments relate to the commitment to drill one well, for which the Group has written to the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan subsequent to year end, requesting an extension. This extension is expected to be granted, however, no approval has been received to date.

22. AUDITORS REMUNERATION

The auditor of Jupiter Energy Limited is Ernst & Young.

	2020	2019
	\$	\$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- auditing or reviewing the financial report	<u>102,011</u>	<u>88,680</u>
	<u>102,011</u>	<u>88,680</u>
Amounts received or due and receivable by Ernst & Young (Kazakhstan) for:		
- auditing or reviewing the financial report	37,211	55,826
- Non-audit fees (tax advisory services)	<u>20,331</u>	<u>14,953</u>
	<u>57,542</u>	<u>70,779</u>
Amounts received or due and receivable by Ernst & Young (Singapore) for:		
- auditing or reviewing the financial report	<u>17,280</u>	<u>-</u>
	<u>17,280</u>	<u>-</u>
Total paid to Ernst & Young	<u>176,833</u>	<u>159,459</u>

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. LOSS PER SHARE

Basic loss per share

Basic loss per share are calculated by dividing the profit / (loss) attributable to equity holders of the Group by the weighted average number of ordinary shares outstanding during the period.

The following reflects the income and data used in the basic and diluted loss per share computations:

	Consolidated	
	2020	2019
Net loss attributable to ordinary equity holders of the Parent from continuing operations	(42,352,148)	(8,927,775)
	Number of shares	Number of shares
Weighted average number of ordinary shares for basic and diluted loss per share	153,377,693	153,377,693
Basic and diluted loss per share (cents)	(27.61)	(5.82)

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

24. SEGMENT REPORTING

Identification of reportable segments

The Group 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 Group 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.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. STATEMENT OF CASHFLOWS RECONCILIATION

(a) Reconciliation of operating (loss) after income tax to net cash (used in) operating activities

	Consolidated 2020	2019
	\$	\$
Operating (loss) after income tax:	(42,352,148)	(8,927,775)
Add/(less) non-cash items:		
Depreciation / Depletion	926,698	793,189
Finance costs	8,363,703	7,552,147
Impairment expense	32,571,270	-
Effect of foreign exchange translation	1,406,647	3,474,045
Changes in assets and liabilities:		
Decrease (increase) in receivables	339,486	406,787
Decrease (increase) in inventories	2,394	16,494
Decrease (increase) in other current assets	55,484	(17,239)
Increase in payables	(1,786,327)	1,534,224
Increase in contract liabilities	(157,879)	654,473
Increase in Provisions	-	103,153
Net cash flows from operating activities	(630,672)	5,589,498

For the purposes of the cash flow statement, cash includes cash on hand, at banks, and money market investments readily convertible to cash on hand, net of outstanding bank overdrafts.

26. NEW AND AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group adopted AASB 16 as of 1 January 2019. AASB 16 supersedes AASB 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease as detailed in Note 2(b).

The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Lease liabilities are measured at the present value of future payments on the initial date of application, being 1 January 2019. Right of use assets were recognised at an amount equal to the lease liability.

The impact of the application of AASB 16 is as follows:

Impact on the equity (increase/(decrease)):

	1 July 2019
	\$
Assets	
Non-current assets	
Right-of-use assets	229,391
Liabilities	
Lease liabilities – current	229,391

There is no material impact on accumulated losses at the date of initial application.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Lease assets and lease liabilities at 30 June 2020 are detailed below:

Lease Assets

	2020	2019
	\$	\$
Right of use assets	227,425	-
Less: Accumulated Amortisation	(154,973)	-
Net Carrying Value	<u>72,452</u>	<u>-</u>
Movements during the year		
Opening Balance	229,391	-
Net exchange differences	(1,966)	-
Depreciation charge for the year	(154,973)	-
Closing Balance	<u>72,452</u>	<u>-</u>

Lease Liabilities

	2020	2019
	\$	\$
Lease liabilities – current	83,071	-
Lease liabilities – non current	-	-
Total lease liabilities	<u>83,071</u>	<u>-</u>
Movements during the year		
Opening Balance	229,391	-
Payments	(185,548)	-
Interest	40,774	-
Net exchange differences	(1,546)	-
Closing Balance	<u>83,071</u>	<u>-</u>

Lease liabilities were discounted using an incremental borrowing rate of 15% as of 1 July 2019.

During the year, the total cash outflows relating to lease liabilities was \$185,548 (2019: Nil) and the interest recognised amounted to \$40,774 which has been recognised within finance costs in the Statement of Comprehensive Income (2019: Nil). Payments of \$55,895 for short term leases (lease term of 12 months or less) and leases of low value assets were expensed in the consolidated income statement under general and administration costs for the year ended 30 June 2020. The Group's leasing arrangements relate to pumping equipment for the Block 31 oilfields.

27. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no events subsequent to 30 June 2020, and up to the date of this report which would require disclosure, other than those matters detailed below:

On 21 July 2020, as announced to the market, the Company announced the engagement of VTB Capital to carry out a Strategic Review of the funding options available to the Group in relation to the ongoing development of its acreage in Kazakhstan.

On 15 September 2020 the Company announced that the Akkar East field had recommenced production after having received all the requisite approvals to begin Commercial Production from wells 19, J-51 and J-52. These approvals are based on the Company producing oil under what is defined in the Sub Surface User Code as the "Preparatory Period" – that is a period when wells can produced under Commercial Production whilst not yet having 100% gas utilization infrastructure in place. The requirement for 100% gas utilization means production from the three wells will be constrained and production is expected to be approximately 30% of capacity until the Company has access to the requisite infrastructure that will enable it to achieve 100% gas utilization when the wells are producing at full capacity.

On 28 September 2020, the Company received a commitment to increase the facility under the 2017 Framework Agreement by an additional US\$6.0 million, with a repayment date of 1 July 2022.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

In September 2020 Promissory Notes, that had a carrying value of US\$59.62m (A\$86.87m) at 30 June 2020, had their repayment dates extended to 1 July 2022.

28. INFORMATION ON PARENT ENTITY

	2020	2019
(a) Information relating to Jupiter Energy Limited:	\$	\$
Current assets	19,965,035	55,178,481
Total assets	19,965,139	55,178,585
Current liabilities	(24,374,942)	(1,061,707)
Total liabilities	(87,711,928)	(75,680,282)
Issued capital	85,633,935	85,633,935
Accumulated losses	(116,106,746)	(105,746,254)
Share based payment reserve	5,764,014	5,764,014
Profit or (loss) of the parent entity	(43,037,992)	(6,153,392)

Name of Entity	Country of incorporation	Equity Holding	
		2020	2019
		%	%
Jupiter Energy (Victoria) Pty Ltd	Australia	100	100
Jupiter Biofuels Pty Ltd	Australia	100	100
Jupiter Energy (Kazakhstan) Pty Ltd	Australia	100	100
Jupiter Energy Pte Ltd	Singapore	100	100
Jupiter Energy (Services) Pte Ltd	Singapore	100	100

(b) Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries
There are no guarantees entered into by the parent entity.

(c) Details of any contingent liabilities of the parent entity
There are no contingent liabilities of the parent entity as at reporting date.

(d) Details of any contractual commitments by the parent entity
There are no contractual commitments by the parent entity

29. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2020 (30 June 2019: Nil)

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Jupiter Energy Limited, I state that:

1 In the opinion of the directors:

(a) the financial statements and notes of Jupiter Energy Limited for the financial year ended 30 June 2020 are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of its financial position as at 30 June 2020 and performance for the year ended on that date.

(ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001

(b) The financial statements and notes also comply with International Financial Reporting Standards, as disclosed in note 2(b)

(c) Subject to the matter set out in Note 2(a) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

2 This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board



Geoff Gander

Executive Chairman

Perth, Western Australia
7 October 2020

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

Report on the audit of the financial report

Opinion

We have audited the financial report of Jupiter Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the director's declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2020 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(a) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. Our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters, provide the basis for our audit opinion on the accompanying financial report.

Carrying value of non-current assets

Why significant	How our audit addressed the key audit matter
<p>At 30 June 2020, the Group had non-current assets, after impairment write-downs, comprising its oil and gas properties of \$19,549,250, property, plant and equipment of \$903,552 and capitalised exploration and evaluation expenditure of \$485,567. These non-current assets form part of the Block 31 cash-generating unit ("CGU") for impairment testing purposes.</p> <p>The Group is required to assess throughout the reporting period, whether there is any indication that an asset or CGU may be impaired. If any such indication exists, the Group is required to estimate the recoverable amount of the asset or CGU.</p> <p>With the decline in global oil prices the Group identified impairment indicators and calculated the recoverable value of the Block 31 CGU, resulting in an impairment write-down of \$30,619,326 being recognised in the current year. Disclosures regarding this matter are in Notes 2(d) and 13 to the financial report.</p> <p>Given the size of the balance, the judgmental nature in identifying indicators of impairment and the estimation involved in the determination of the Block 31 CGU recoverable value we considered this a key audit matter.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> ▶ Considered the Group's impairment triggers assessment including forecasted oil price assumptions and current and historical operational performance. ▶ Considered the Group's right to tenure over the Block 31 CGU, which included obtaining and assessing supporting documentation such as license agreements. ▶ Considered the qualitative impairment indicators of exploration and evaluation assets related to the Group's ability or intention to progress evaluation activities. ▶ Tested the mathematical accuracy and integrity of the of the impairment model used to determine the recoverable amount. ▶ Assessed, in conjunction with our valuation specialists, the key assumptions and methodologies used in determination of the recoverable amount of the Block 31 CGU. ▶ Considered the relationship between the assets carrying value and the Group's market capitalisation. ▶ Considered the adequacy of disclosure in Note 2(d) and 13 of the financial report.

Promissory note facilities

Why significant

At 30 June 2020, as disclosed in Note 17, the Group had a financial liability of \$86,874,707 comprised of promissory note facilities.

The promissory notes are denominated in US dollars and are converted to the Company's functional currency of Australian dollars at period end. Any changes in the Australian dollar balance, due to movements in the foreign exchange rates, is recognised in the profit and loss as a foreign currency gain or loss.

During the year, the Group continued to draw down on the available promissory note facilities to fund operations and repayment dates were extended for two facilities.

Accordingly, due to the significance of the balance, the classification and measurement of promissory notes was considered to be a key audit matter.

How our audit addressed the key audit matter

We evaluated the appropriateness of the measurement and classification of amounts outstanding on the Group's promissory note facilities. Our procedures included the following:

- ▶ Considered the changes to the terms and conditions of each promissory note during the year and the impact of the reported balances at year end and the compliance with the requirements of Australian Accounting Standards.
- ▶ Tested the measurement of foreign currency gains or losses on promissory note balances.
- ▶ Confirmed the completeness and accuracy of outstanding balances with the Issuer of the promissory note facilities.
- ▶ Considered whether the Group had the unconditional right to defer repayment of the promissory note facilities by more than 12 months as at 30 June 2020.
- ▶ Considered the adequacy of disclosure in Note 17 to the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

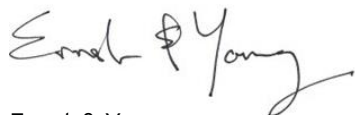
Opinion on the remuneration report

We have audited the Remuneration Report of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Jupiter Energy Limited for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young



Darryn Hall
Partner
Perth
7 October 2020

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

ASX OTHER INFORMATION

Additional information required by the ASX Listing Rules and not disclosed elsewhere in this Annual Report is as follows.

1. Number of holders and voting rights of each class of securities

As at 2 October 2020 the Company has only one class of securities being fully paid ordinary shares as outlined below.

Equity Class	Number of Holders	Total on issue
Fully paid ordinary shares (Shares)	1,626	153,377,693

All Shares carry one vote per Share. Each Shareholder is entitled to receive notice of and attend and vote at general meetings of the Group. At a general meeting, every Shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

2. Substantial Shareholders

Substantial Holder	Number of Shares	% Total Shares
Waterford Finance and Investment Limited	41,246,107	26.89%
Arrow Business Limited	32,227,908	21.01%
Central Asian Oil Holdings Ltd	28,637,883	18.67%

3. Distribution of Shares as at 2 October 2020

Range	Total holders	Units	% of Issued Capital
1 - 1,000	420	157,408	0.10%
1,001 - 5,000	509	1,379,247	0.90%
5,001 - 10,000	241	1,806,398	1.18%
10,001 - 100,000	396	13,612,280	8.88%
100,001 - 9,999,999,999	60	136,422,360	88.95%
Total	1,626	153,377,693	100.00%

There were 1,207 holders with less than a marketable parcel of Shares based on the closing share price of \$0.042 per Share on 2 October 2020.

4. On-market buy back

There is no current on-market buy back program for the Company's Shares and no Shares were purchased on-market during the financial period.

5. Restricted Securities

There are no restricted securities or securities subject to voluntary escrow on issue.

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

ASX OTHER INFORMATION

6. Top 20 Shareholders as at 2 October 2020

Rank	Name	Shares	% Total Shares
1	FISKE NOMINEES LIMITED <FISKPOOL A/C>	42,734,581	27.86
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	39,200,049	25.56
3	BNP PARIBAS NOMS PTY LTD <DRP>	29,358,608	19.14
4	CITICORP NOMINEES PTY LIMITED	5,295,185	3.45
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,933,136	1.26
6	SECURE NOMINEES LIMITED <SVCLT A/C>	1,610,357	1.05
7	MR SOON JEUNG YUEN	1,210,000	0.79
8	MR CHRISTOPHER G CHANDLER	1,200,000	0.78
9	MR GLENN WILLIAM TWOMEY + MRS KAREN LYNNE TWOMEY	1,010,796	0.66
10	MRS CINDY MAREE ANDUEZA	1,000,000	0.65
11	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	862,496	0.56
12	MR JOHN NORMAN ACKLAND	776,000	0.51
13	IRELAND RESOURCES	506,450	0.33
14	MR ARJUN BHATTARAI	500,000	0.33
14	TINA'S STYLE CENTRE PTY LTD <JA & TJ JENKINS S/F A/C>	500,000	0.33
16	MR PETER ANTHONY WRIGHT	464,554	0.30
17	MRS DEVI SAPKOTA KOIRALA	429,411	0.28
18	MRS FOO YING TONG	316,541	0.21
19	IERACE PTY LTD <THE IERACE FAMILY A/C>	290,000	0.19
20	MR BARRY WILLIAM HOWARD	283,500	0.18
TOTAL		129,481,664	84.42%

JUPITER ENERGY LIMITED – 2020 ANNUAL REPORT

CORPORATE GOVERNANCE POLICIES

In accordance with ASX Listing Rule 4.10.3 the Company's corporate governance statement can be found at the following URL:

[http://www.jupiterenergy.com.au/files/files/803_Corporate_Governance_Statement -
_30 June 2020.pdf](http://www.jupiterenergy.com.au/files/files/803_Corporate_Governance_Statement_-_30_June_2020.pdf)

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of Shareholders by whom they are elected and to whom they are accountable.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2014 Amendments 3rd edition unless otherwise stated.