JUPITER ENERGY LIMITED

HALF YEAR FINANCIAL REPORT

31 DECEMBER 2018

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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
Website	www.jupiterenergy.com

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" and on the Kazakh Stock Exchange (KASE) under the code "AU_JPRL".

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2018.

Directors

The names of directors who held office during or since the end of the half-year:

Geoffrey Gander
Baltabek Kuandykov
Alexey Kruzhkov
Alexander Kuzev
Phil Warren

The directors have been in office since the beginning of the period unless otherwise stated.

Operating Results

This review covers the 6 months from 1 July 2018 to 31 December 2018 and the "Subsequent Events" section includes any significant events that have occurred between 1 January 2019 and the release date of this report.

The consolidated loss for the period after income tax was $6,410,770 (31 December 2017: $3,259,930).

At the end of December 2018, cash levels were $1,629,156 (June 2018: $408,241). Assets increased to $53,674,104 (June 2018: $50,182,659) and equity decreased to negative $22,843,617 (June 2018: negative $14,348,305).

Review of Operations

The six month period to 31 December 2018 ("the Review Period") saw the Company continue to produce oil from wells on both the Akkar East and West Zhetybai oilfields. Production on the Akkar East oilfield was from wells 19, J-51 and J-52. Oil from the West Zhetybai oilfield was produced from the J-58 well. All oil was produced under Trial Production Licences and sold into the domestic market.

Oil Production and Revenues:

There were approximately 112,750 barrels of oil (2017: 25,600 barrels) produced during the period.

Revenues from oil sales in this Review Period amounted to $A4,128,833 ($US2,992,169). Sales in the previous period were $A677,989 ($US528,197).

Production Report/Status of Well Licences:

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

The J-50 well is located on the Akkar North (East Block) accumulation and this well was shut in on 29 December 2014 after a dispute emerged with Jupiter's neighbor over the division of the Akkar North reserves.

This dispute was resolved in Jupiter's favor and the necessary Kazakh regulatory approvals required to enable the well to return to Trial Production were obtained during the Review Period and the well is expected to contribute to daily production as soon as the topside infrastructure has been installed. Early testing would suggest that a flow rate of approximately 150 barrels per day will be achieved from this well.

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

During the Review Period, approximately 60,250 barrels of oil were produced from Wells 19, J-51 and J-52 under their respective TPL's. These three wells are located on the northern section of the permit and are part of the East Akkar oilfield.

The J-53 well, which is also located on the Akkar East oilfield, was shut in for the entire Review Period, awaiting further remedial work before potentially coming back onto production. This work is expected to be carried out during the 2nd quarter of 2019.

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

During the Review Period, approximately 52,500 barrels of oil were produced from the J-58 well. No oil was produced from the J-59 well. These two wells are located on the southern section of the permit and are part of the West Zhetybai oilfield.

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

It is expected that a workover on the J-59 well will be carried out during the 2nd half of 2019 and this should enable J-59 to commence Trial Production. J-59 will be used to test the potential of the shallow Jurassic horizon discovered during the drilling of the well, before being completed for production from the T^2B horizon.

Status of Licence under the Exploration Period

The Company operates under Contract 2275 and this Contract has an Exploration Period that runs until 29 December 2019.

The Kazakh Ministry of Energy has released a framework for a new Model Contract for all sub surface users and this is currently being reviewed by the Company. If Jupiter were to move to the new Model Contract, the Group would have the ability to extend the Exploration Period beyond 29 December 2019 via the use of a new "Preparatory Period", which is allowed for under the new contract.

At this point, the Group has an approved Work Program for the 2019 year and is working towards preparing all three oilfields (Akkar North (East Block), Akkar East and West Zhetybai) for commercial production before the end of the Exploration Period on 29 December 2019 but if this is not achieved, then the Group could make use of the "Preparatory Period" to extend the Trial Production period or would seek alternative avenues to extend the exploration period, as it has done in the past. Further details on the new Model Contract should be available by the middle of 2019.

The Company will continue to work with the Kazakh regulatory authorities on this matter.

Oil Sales:

The Company is in frequent dialogue with various local oil marketing groups and is currently selling its oil into the domestic market through one trader. The trader is based in Aktau and pays for Jupiter's oil on a prepaid basis and is responsible for collection of the oil from the well head.

Drilling Report:

During the Review period, the Company drilled the J-57 well.

Well J-57 Akkar East is the Company's ninth well on Block 31. The appraisal well is located in Akkar East's undrilled faulted block (#4) area with probable 2P/C^2 reserves, located to the south-east of the J-51, J-52 and 19 production wells.

Well J-57 took a total of 61 days to drill and reached a total depth of 3210 m on December 5th, 2018; hydrocarbon shows while drilling, mud logging, coring and subsequent open-hole wireline logs all indicated hydrocarbons in the Mid Triassic reservoir. The open-hole logs and both sections of core indicated oil saturation and reservoir thickness, similar to that of the J-51, J-52 and 19 production wells, which have also been drilled on the same Akkar East structure.

The completion and testing of J-57 will include perforating the well underbalanced with tubing conveyed perforating guns, monitoring fluid levels and running pressure gauges. It is likely that acid treatment is necessary to stimulate the saturated formation and facilitate the flow of oil into the wellbore.

Analysis by local independent consulting firm Reservoir Evaluation Services LLC ("RES") confirmed some 99.4m of gross reservoir thickness and approximately 84.6m of net pay thickness at the Middle Triassic T^2B carbonate formation, the primary reservoir objective in the appraisal well.

In addition, analysis also confirmed an additional 15.4m of gross reservoir thickness and approximately 10.4m of net pay thickness at the Middle Triassic T^2A carbonate-terrigenous formation.

The T^2B will be the first formation to be targeted during testing and this work commenced during February 2019. At the time of the release of this report, work is currently underway to complete an acid fracture of the well.

Subject to obtaining the requisite funding, the Company plans to continue with its drilling program as soon as it is possible. At this stage, under the approved 2018-2019 Work Program, the drilling of another new well is planned for 2019 (J-60) and a sidetrack is also scheduled for well J-53.

2018 Annual General Meeting:

The 2018 Annual General Meeting was held in Perth on Monday 12 November 2018 and all Resolutions were passed.

Funding and Capital Management:

As at 31 December 2018, the Company had 153,377,693 listed shares trading under the ASX ticker "JPR" and the KASE ticker "AU_JPRL".

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

As at 31 December 2018, total Company debt outstanding stood at approximately $US49.33m through the following funding agreements:

	US$
2017 Funding Agreement (max $US5m)	2.04 m
2016 Funding Agreement (max $US5m)	4.60 m
Refinanced Series B Promissory Note	13.76 m
Refinanced convertible notes	28.93 m
	$US49.33 m

In terms of available short term funding: As at 31 December 2018, the Company had drawn down $US2.04m[1] under the $US5.0m 2017 Funding Agreement meaning $US2.96m is still available under this funding agreement.

The Company also still has access to a further $US0.4m[2] under the 2016 Funding Agreement.

The Company continues to operate under an agreed Operations Budget. Based on this Operations Budget, using the combined net revenues from oil sales and the remaining debt facility available through the 2016 and 2017 Funding Agreements (total funds available as at 31 December 2018 being $US3.36m), the Company will remain funded for the foreseeable future.

Any drilling of new wells will require access to additional working capital and/or agreement to deferred payment terms with the turnkey drilling operator.

Directors have deferred their Directors' Fees since February 2015 and will continue to do so until such time that the Company has an improved cashflow position.

The Company is still reviewing its ongoing funding requirements for 2019 and the directors are exploring a range of options for financing the further development of the Akkar East and West Zhetybai fields during the remainder of 2019 and beyond, to the stage where export oil sales are being achieved and further development of the field is self-funding; these options may include the further issue of new equity, reserve based debt, convertible debt or a combination of these and other funding instruments.

Once the appropriate funding has been secured, the further development of both the Akkar East and West Zhetybai fields, and in particular building of the topside infrastructure on Akkar East including a processing facility and gas separation plant, will be accelerated.

Based on current management forecasts, the Company has sufficient working capital, including its access to the remaining funding under the 2017 Funding Agreement and the additional funding from the 2016 Funding Agreement, for the foreseeable future.

Subsequent Events:

There have been no Subsequent Events to report between 1 January 2019 and the date of this Report.

[1] Including accrued interest
[2] Taking into account accruing interest on the drawn down amount

Summary:

The Company had a productive 6 month period from 1 July to 31 December 2018.

Robust Kazakh domestic oil prices allowed for production of approximately 112,750 barrels of oil, deriving revenues of $A4,128,833 ($US2,992,169).

Since acquiring an exploration permit in 2008, independent reserve reports continue to confirm that that Jupiter has now discovered two sizeable oilfields with significant reserves and resources. The goal of developing Jupiter Energy into a full cycle E&P company with a meaningful production profile and sizeable 2P reserves base remains the key objective for the Board and Management and the Company remains confident of continuing to make progress towards achieving this goal during the remainder of 2019.

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.

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from Ernst & Young, the consolidated entity's auditors. The independence declaration is included at page 8 of the financial report.

Dated at Perth on 15 March 2019.

This report is signed in accordance with a resolution of the Board of Directors.

G A Gander
Executive Chairman/CEO

Ernst & Young
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Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

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Auditor's Independence Declaration to the Directors of Jupiter Energy Limited

As lead auditor for the review of the half-year financial report of Jupiter Energy Limited for the half-year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review.

b) No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Darryn Hall
Partner
15 March 2019

Building a better
working world

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Independent Auditor's Review Report to the Members of Jupiter Energy Limited

Report on the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Jupiter Energy Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2018 and of its consolidated financial performance for the half-year ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty related to going concern

We draw attention to Note 1(c) Going concern basis in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Darryn Hall
Partner
Perth
15 March 2019

DIRECTORS' DECLARATION

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

In the opinion of the Directors:

a. The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

   I. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2018 and the performance for the half-year ended on that date, and

   II. complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

b. Subject to the matters disclosed at note 1(c), there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

G A Gander
Executive Chairman/CEO

Signed at Perth 15 March 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2018

		Consolidated	
		6 months to 31 Dec 2018 $	6 months to 31 Dec 2017 $
Revenue	3	4,128,833	677,989
Cost of sales		(1,243,446)	(329,747)
Gross profit		2,885,387	348,242
Foreign currency gain / (loss)		(3,069,513)	955,143
General and administrative costs		(2,499,853)	(970,638)
Operating loss		(2,683,979)	(332,747)
Interest income		9,508	9,189
Finance costs	8	(3,736,299)	(3,601,865)
Loss before tax		(6,410,770)	(3,259,930)
Income tax expense		-	-
Loss after income tax		(6,410,770)	(3,259,930)
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods net of tax			
Foreign currency translation		(2,084,541)	(2,078,242)
Total comprehensive loss for the period		(8,495,311)	(5,338,172)
Loss per share attributable to ordinary equity holders of the parent (cents per share)			
Basic loss per share		(4.18)	(2.13)
Diluted loss per share		(4.18)	(2.13)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Consolidated 31 December 2018 $	 30 June 2018 $
ASSETS			
Current Assets			
Cash and cash equivalents	4	1,629,156	408,241
Trade and other receivables		214,302	164,367
Other current assets		236,865	148,945
Inventories		47,231	43,968
Total Current Assets		2,127,554	765,521
Non-Current Assets			
Trade and other receivables		2,421,218	2,599,429
Oil and gas properties	6	20,013,954	17,228,238
Plant and equipment		895,001	564,453
Exploration and evaluation expenditure	5	27,773,850	28,614,808
Other financial assets		442,527	410,210
Total Non-Current Assets		51,546,550	49,417,138
Total Assets		53,674,104	50,182,659
Current Liabilities			
Trade and other payables	7	5,575,399	1,734,647
Other financial liabilities	8	2,896,312	-
Contract Liability	9	772,582	41,629
Total Current Liabilities		9,244,293	1,776,276
Non-current Liabilities			
Provisions		280,029	244,258
Other financial liabilities	8	66,993,399	62,510,430
Total Non-Current Liabilities		67,273,428	62,754,688
Total Liabilities		76,517,721	64,530,964
Net Deficit		(22,843,617)	(14,348,305)
Equity			
Contributed equity		85,633,935	85,633,935
Share based payment reserve		5,764,014	5,764,014
Foreign currency translation reserve		(28,347,162)	(26,262,620)
Accumulated losses		(85,894,404)	(79,483,634)
Total Equity / (Deficit)		(22,843,617)	(14,348,305)

The above Consolidated Statement of Financial Position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED	Issued capital $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total Equity $
As at 1 July 2018	85,633,935	5,764,014	(26,262,620)	(79,483,634)	(14,348,305)
Loss for the period	-	-	-	(6,410,770)	(6,410,770)
Other comprehensive income	-	-	(2,084,542)	-	(2,084,542)
Total comprehensive income / (loss)	-	-	(2,084,542)	(6,410,770)	(8,495,311)
As at 31 December 2018	85,633,935	5,764,014	(28,347,162)	(85,894,404)	(22,843,617)
As at 1 July 2017	85,633,935	5,764,014	(25,522,243)	(69,459,909)	(3,584,203)
Loss for the period	-	-	-	(3,259,930)	(3,259,930)
Other comprehensive income	-	-	(2,078,242)	-	(2,078,242)
Total comprehensive income / (loss)	-	-	(2,078,242	(3,259,930)	(5,338,172)
As at 31 December 2017	85,633,935	5,764,014	(27,600,485)	(72,719,839)	(8,922,375)

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2018

	Consolidated	
	6 months to 31 December 2018 $	6 months to 31 December 2017 $
Cash flows from operating activities		
Receipts from customers	4,988,062	1,206,919
Payments to suppliers and employees	(1,443,139)	(976,770)
Interest received	9,508	9,189
Net cash used in operating activities	3,554,431	239,338
Cash flows from investing activities		
Payments for exploration and development expenditure	(2,748,063)	(536,345)
Payments for plant and equipment	(158,922)	(420,753)
Net cash used in investing activities	(2,906,985)	(957,098)
Cash flows from financing activities		
Proceeds from unsecured loan	575,325	1,266,843
Net cash provided by financing activities	575,325	1,266,843
Net increase in cash held	1,222,771	549,083
Cash at the beginning of the financial period	408,241	397,109
Foreign exchange gain/(loss)	(1,857)	(6,445)
Cash at the end of the financial period	1,629,156	939,747

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Preparation

The half year financial report of Jupiter Energy Limited for the period 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 15 March 2019.

Jupiter Energy Limited is a company limited by shares that is incorporated and domiciled in Australia and whose shares are publicly listed and traded on Australian Securities Exchange and KASE, the Kazakh Stock Exchange. Jupiter Energy Limited is a for profit entity.

a) Basis of preparation

This financial report for the half-year ended 31 December 2018 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

All monetary values are reported in Australian Dollar unless otherwise stated.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2018 and considered together with any public announcements made by Jupiter Energy Limited during the half-year ended 31 December 2018 and in the subsequent period to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

b) Rounding of amounts

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191. Accordingly, amounts in the financial statements have been rounded off to the nearest dollar.

c) 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 31 December 2018, the Group had a net liability position of $22,843,617 and a net working capital deficiency of $7,116,739.

As at 31 December 2018, the Group had available US$3,360,777 (AU$4,761,656) under its two existing framework funding agreements (refer to note 8 for additional detail) and the Group continues to operate under an agreed Operations Budget. Based on this Operations Budget, using the combined net revenues from oil sales and the remaining debt facility available through the 2016 and 2017 Funding Agreements, the Group has sufficient working capital to maintain operations for a period of 12 months following the date of these financial statements.

For the Group to carry out its 2018-2019 Work Program and further develop Block 31 (which includes a requirement to drill another new well) to the stage where export oil sales are being achieved and further development of the field is self-funding, the group will need to secure additional funding. Further, the 2017 funding agreement is repayable on 31 July 2019 or such later date agreed by the parties in writing. Based on current forecasts, the Group will require additional funding or an extension of this repayment date if it is to meet its obligations under the agreement.

Funding options may include the issue of new equity, reserve based debt, convertible debt or a combination of these and other funding instruments.

The Directors, after consultation with the major shareholders and debt providers, are confident of being able to raise the required capital and extend repayment terms as required based on the nature of the commitments made to the Group to date, but note that any terms, financing and extensions have not been secured at the date of this report. Should the Group not achieve the matters set out above, there is 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

d) Adoption of new and revised accounting standards

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2018 with the exception of the impact of new and amended standards and interpretations issued by the AASB.

AASB 9 Financial Instruments

AASB 9 supersedes AASB 139 'Financial Instruments: Recognition and Measurement' and was adopted by the Group from 1 July 2018. This, and the related amendments to other accounting standards, introduced three significant areas of change from AASB 139 Financial Instruments: Classification and Measurement:

- A new model for classification and measurement of financial assets and liabilities
- A new expected loss impairment model for determining impairment allowances; and
- A redesigned approach to hedge accounting.

The standard has been applied as at 1 July 2018 without adjustment to comparatives.

Classification and Measurement:

For financial liabilities, the existing classification and measurement requirements of AASB 139 are largely retained.

For financial assets, under the new standard these 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 the Group's business model was made as of the date of initial application, 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact on the Group.

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Group has continued to measure these at amortised cost under AASB 9.

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. Due to the short-term nature and high quality of the financial assets, the Group has not recognised any impacts on the adoption of AASB 9.

Taxation receivables are considered statutory in nature and therefore not accounted for as financial assets under AASB 9. Taxation receivables are initially recognised at fair value and subsequently measured at amortised cost.

The Group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the Group's financial liabilities.

Impairment:

The adoption of AASB 9 has required changes to the Group's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.
AASB 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets. The expected credit losses on these financial assets are estimated based on the Group's historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current, as well as forecast, conditions at the reporting date.

For all other receivables measured at amortised cost, 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.

Due to the short-term nature and high quality of the Group's financial assets, the adoption of AASB 9 has not resulted in the recognition of additional impairment.

Hedge Accounting:

The hedge accounting requirements of AASB 9 are not applicable to the Group as the Group has not entered in to any hedging arrangements.

AASB 15 Revenue from contracts with Customers

AASB 15 was adopted by the Group from 1 July 2018. AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations, and it applies with limited exceptions, to all revenue arising from contracts with its customers.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, a Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard requires the Group to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.
The Group adopted AASB 15 in accordance with the transition requirements in AASB 15, which permits Groups to transition to AASB 15 by applying the Standard:

- retrospectively to each prior reporting period presented; or
- retrospectively with the cumulative effect of initially applying the Standard recognised as at the date of initial application (i.e., at the beginning of the annual reporting period in which the entity first applies the Standard).

The Group adopted AASB 15 using the full retrospective method of adoption. The effect of the transition on the current period has not been disclosed as the standard provides an optional practical expedient under which the Group, when applying the full retrospective approach, is only required to apply the new standard to contracts that are not completed as at the beginning of the earliest period presented. The impact on the current period is immaterial.

At the initial date of application, the effect of adopting AASB 15 did not have a material impact on the transactions and balances recognised in the financial statements, including comparatives, other than to reclassify amounts previously recorded as 'unearned revenue' to 'contract liabilities' for presentation purposes.

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.

Trade receivables:
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). Refer to accounting policies of financial assets under AASB 9: Financial Instruments above.

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, 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.

e) *Changes to critical accounting estimates and judgements*

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liabilities affected in future periods.

Please refer to the Group's 30 June 2018 financial statements for information on the Group's judgements, estimates and assumptions.

Judgements

Revenue from contracts with customers:
Judgment is required to determine the point at which the customer obtains control of the oil. Factors including transfer of legal title, transfer of significant risks and rewards of ownership and the existence of a present right to payment for the oil typically result in control transferring on delivery of the oil, which occurs at the well head.

Note 2. Segment Reporting

The Consolidated Entity is exploring for oil and gas in Kazakhstan. Each activity has been aggregated as they have similar economic characteristics and are being conducted in one area of interest. The operations of the Consolidated Entity therefore represent one operating segment under AASB 8 Operating Segments.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the half year financial report.

Note 3. Revenue

	Consolidated	
	31 December 2018 $	30 June 2018 $
Sales of oil	4,128,833	677,989
	4,128,833	677,989

Revenue pertains solely to the 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.

Note 4. Cash and Cash Equivalents

	Consolidated	
	31 December 2018 $	30 June 2018 $
For the purpose of the Consolidated Statement of Cash Flows for the half year ended 31 December 2018, cash and cash equivalents are comprised of the following:		
Cash at bank	1,629,156	408,241
	1,629,156	408,241

Note 5. Exploration and Evaluation Expenditure

	Consolidated	
	31 December 2018 $	30 June 2018 $
Exploration expenditure carried forward:		
Exploration and evaluation expenditure at cost	27,773,850	28,614,808
Movements during the half-year		
Balance at the beginning of the half-year	28,614,808	29,930,249
Expenditure incurred during the half-year	4,439,164	1,908,594
Transferred to Oil and Gas Properties	(3,892,983)	(2,453,341)
Transferred to Property Plant and Equipment	(331,542)	(432,615)
Foreign exchange translation	(1,055,596)	(338,079)
Balance at the end of the half-year	27,773,850	28,614,808

Exploration and evaluation assets are capitalised on the basis that the Company continues to hold a current contract ("the Contract") for all areas of interests to which the capitalised costs relate.

Note 6. Oil and Gas Properties

	Consolidated	
	31 December 2018 $	30 June 2018 $
Oil and Gas Properties carried forward:		
Oil and gas properties at cost	21,988,492	19,113,153
Depletion and impairment	(1,974,538)	(1,884,915)
Net Carrying Value	20,013,954	17,228,238
Movements during the half-year		
Balance at the beginning of the half-year	17,228,238	15,112,180
Net exchange differences	(869,969)	(233,206)

Transfers from exploration and evaluation assets	3,892,983	2,453,341
Depletion Charge for the half-year	(237,298)	(104,077)
Balance at the end of the half-year	20,013,954	17,228,238

Note 7. Trade and Other Payables

	Consolidated	
	31 December 2018 $	30 June 2018 $
Trade creditors	3,711,337	1,193,464
Accruals and Other Short Term Liabilities	1,864,062	541,183
	5,575,399	1,734,647

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

Note 8. Other Financial Liabilities

Other financial liabilities comprises the following promissory notes as at 31 December 2018:

	Accrued Principal and Interest	
	31 December 2018 $	30 June 2018 $
2017 Funding Agreement (max $US 5m)	2,896,312	2,038,656
2016 Funding Agreement (max $US 5m)	6,510,352	5,860,483
Refinanced Series B Promissory Note	19,490,184	17,598,057
Refinanced Convertible Notes	40,992,863	37,013,234
Total	69,889,711	62,510,430

There has been no change to the terms and conditions of any of the promissory notes to that disclosed in the 30 June 2018 Annual Report.

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

	Consolidated	
	31 December 2018 $	30 June 2018 $
Current		
Promissory notes (unsecured) - Opening Balance	-	-
Change in current/non-current classification[1]	2,038,656	-
Drawdowns during the financial year	575,325	-
Interest accrued	167,818	-
Impact of foreign exchange	114,512	-
Promissory Notes (Unsecured) - Closing balance	2,896,312	-

Non-Current		
Promissory notes (unsecured) - Opening Balance	62,510,430	51,672,210
Change in current/non-current classification(1)	(2,038,656)	-
Drawdowns during the financial year	-	1,773,172
Interest accrued	3,568,481	6,785,450
Impact of foreign exchange	2,953,144	2,279,598
Promissory Notes (Unsecured) - Closing balance	66,993,399	62,510,430

(1) The promissory notes issued under the 2017 funding agreement are repayable on 31 July 2019 (or such later date as agreed by the parties in writing). They have therefore been reclassified as current.

Note 9. Contract Liability

	Consolidated	
	December 2018 $	30 June 2018 $
Contract Liability	772,582	41,629

The contract liability refers to amounts received in advance for oil sales. This obligation is expected to be fulfilled within the quarter ending 31 March 2019.

Note 10. Contingencies and Commitments

There has been no significant change in contingent liabilities or commitments since the last annual reporting date.

Note 11. Events Subsequent to Reporting Date

There have been no events subsequent 31 December 2018 and up to the date of this report which would require disclosure.