

**31 October 2008**

**QUARTERLY ACTIVITIES REPORT – FOR THE 3 MONTHS TO SEPTEMBER 2008**

**KEY HIGHLIGHTS**

- **Jupiter commences shooting 3D seismic on exploration permit Block 31**
- **Jupiter secures additional 25 square kilometres of exploration acreage adjacent to Block 31 (the area known as Block 32)**
- **New estimates indicate that 22 mmbbls of oil exists within the extended Block 31 area**
- **Processing and interpretation of 3D seismic to be completed in early 2009 and a drilling program is expected to start before June 2009**

Jupiter Energy Limited (ASX: JPR) presents the following report on activities for the three months ending 30 September 2008. Also included in this report are details of any significant subsequent events that have taken place in October 2008.

Whilst the 1st quarter of the 2008/9 year has been one of great turbulence and has seen a significant decline in the JPR share price along with most, if not all, publicly listed company share prices in Australia and around the world, there have in fact been some very encouraging operational developments for the Company over the period.

**Update on Block 31:**

On 22 September 2008, JPR announced that it had signed a contract with local Kazakh based geophysical services company Dank Scientific Industrial Firm (Dank SIF). Dank SIF are

contracted to record 194 sq km of 3D seismic which will result in full fold coverage of approximately 95 sq km and this process will yield complete 3D data on all of JPR's western section of Block 31 in the Mangistau Basin (see diagram below). Dank SIF has had extensive experience in shooting seismic in Kazakhstan and since 1998 has carried out over fifty 2D and 3D assignments, some specifically in the Mangistau Basin.

As shareholders should be aware, the Block 31 permit is located in the Zhetybai-Uzen step of the Mangistau Basin. The Basin is extremely well located in terms of access to existing oil infrastructure (road, port and pipelines) and the area has already produced some 6 billion barrels of oil. Most of the discoveries are contained within the Zhetybai-Uzen step itself with the two biggest fields being Uzen and Zhetybai having produced from both the Jurassic and the Triassic. Block 31 is on the same trend as Uzen and Zhetybai, consists of two parts, covers an area of over 100 sq km and is located adjacent to two existing oil fields which have potential reserves of c 50 million barrels of oil (mmbbls). Adjoining the northern tip of Block 31 is Akkar North (Akkar N). Akkar N was, until recently, much like Block 31 in that it was a pure exploration block with its prospectivity purely based on 1970's and 1980's 2D seismic data. However, 3D seismic was carried out on the block in 2007, and a target was identified on an area that borders Block 31. That target was drilled and their subsequent development success means that the field is now producing some 4,500 barrels per day and has proven and probable (2P) reserves of 23 mmbbls.

The JPR Board is confident that on completing the interpretation of the Block 31 3D seismic, a range of targets will also be identified on the permit and JPR intends to drill at least one exploration well during the first half of 2009. Some of the photos that have been taken during the seismic program are attached at the conclusion of this report.

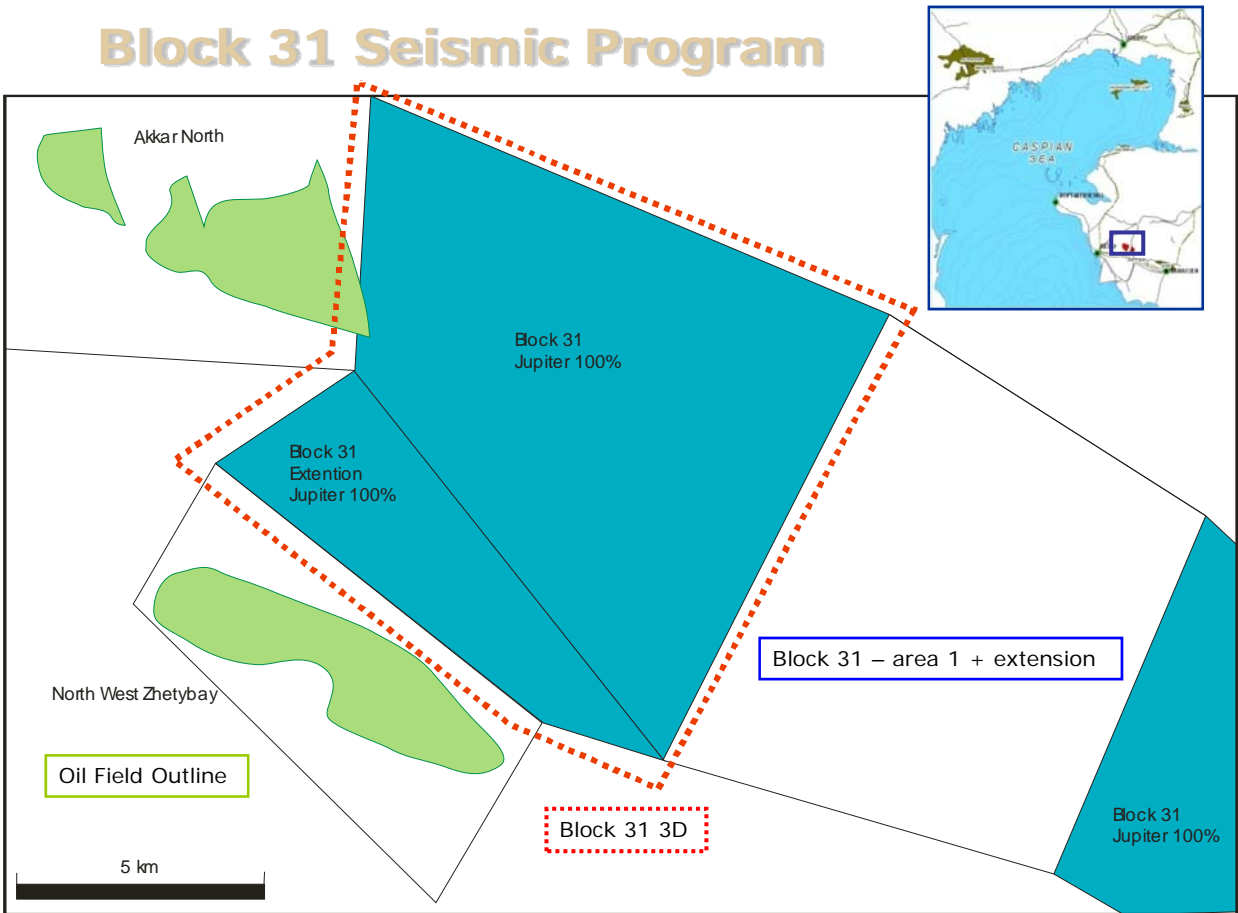


Figure 1: Outline of Block 31 seismic program

## Update on the extension to Block 31 (Block 32):

The extension is an area of approximately 25 square kilometers which is situated between JPR's initial exploration permit, Block 31, and the existing North West Zhetybai oil field. The new area, known internally as Block 32, was identified as a result of reviews by the Company of historic Soviet seismic data which the Company believes indicate that Block 32 has similar characteristics to the Akkar N oil field outlined above. The Company is pleased to announce that the extension has been approved by all the relevant Kazakh authorities.

The Board believes that this extension to the existing permit will give JPR the ability to access a drillable horstal feature in the underlying Triassic of a similar size or bigger to the Akkar N field and with the 3D seismic, the Company should be able to better identify and drill this target as part of the planned Block 31 work program. JPR's initial review of the mapping on the 2D seismic data over Block 31 highlighted a possible eastern extension of Akkar N into Block 31. Two potential targets (shown as A and B in Figure 2 below) have been identified in the eastern part of the permit.

A large 4 way dip closer was also mapped, with the closure straddling the border between Block 31 and the extension. It was this closure that JPR found encompassed the North West Zhetybai #2 well (NWZ 2) drilled by the Soviets in the early 1980's and JPR has recently gained access to the logs from this drilling program. Follow on investigations have shown that NWZ 2 sits down the south western slope of the North West Zhetybai structure and the data from the drilling program shows that NWZ 2 was clearly an oil discovery.

## Block 31 – Prospects and Leads

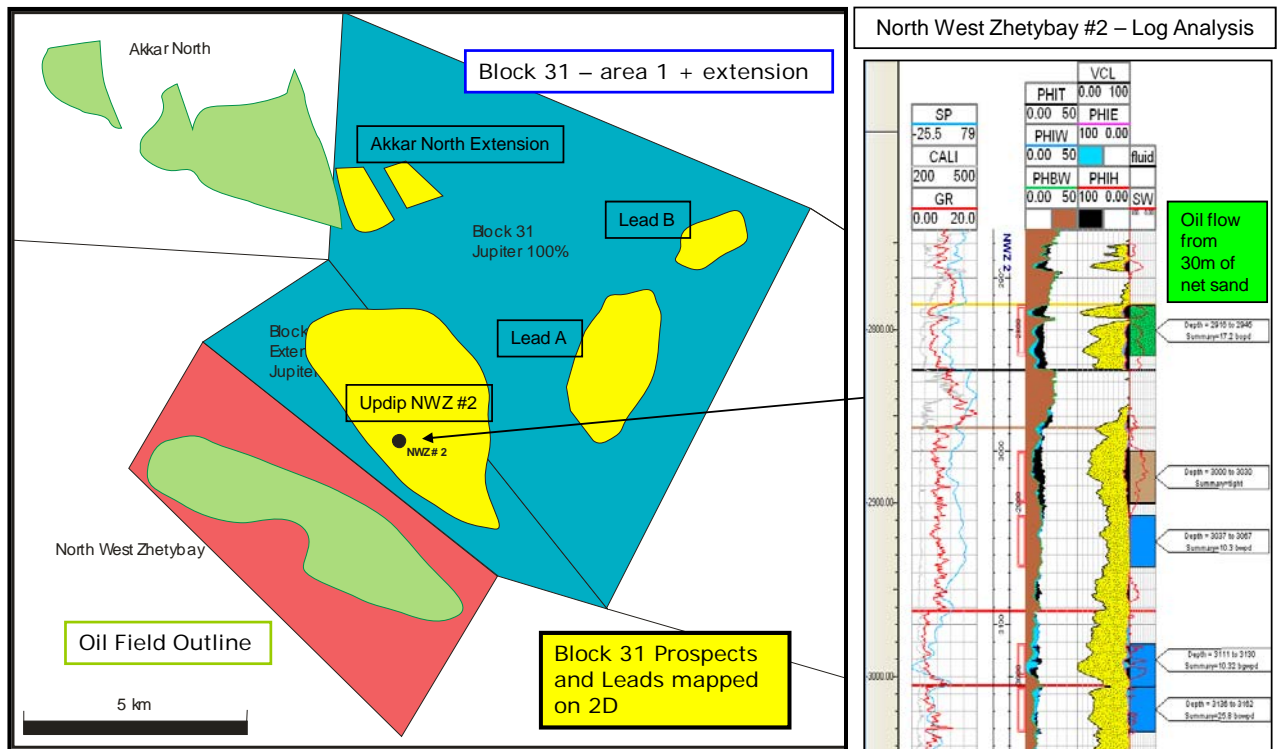


Figure 2: Outline of potential targets on the now extended Block 31 and logs from the NWZ 2 well

During the drilling on NWZ 2, a 30 metre sand (correlated as Ju-XIII) and situated at the base of the structure, flowed oil to surface at 17.2 barrels of oil per day (bopd) without acid

or pump. Interestingly, initial Soviet drilling at Akkar N showed that the Triassic A sand flowed gas/oil/water from a 40 m sand and may sit near an oil/water contact. When you contrast this information with the now proven prospectivity of the Akkar N oil field, this data in itself clearly shows evidence of the potential upside of the enlarged Block 31 permit.

Conservative volumetrics reviewed by JPR's technical team place 8 mmbbls of potential reserves in the updip NWZ 2 structure and a further 14 mmbbls of potential in the other 3 structures, meaning that Block 31 now has the potential to deliver some 22 mmbbls of oil, once the permit is taken into production. These reserve estimates are consistent with the expected production of Akkar N (23 mmbbls) and the probable reserves of North West Zhetybai (21 mmbbls), the two oil fields that border Block 31.

### **Update on Acquisition Activities:**

The Company went into the new financial year having announced on 30 June 2008 that it had agreed terms to purchase a share in the North West Zhetybai (NWZ) oil field, which is located near to our 100% owned exploration permit, Block 31. On 15 July 2008, the Company confirmed that Macquarie Bank Limited (MBL) had signed an exclusive mandate with the Company and provided an indicative terms sheet outlining the manner in which MBL would provide debt finance to assist in the purchase and development of this field. Certainly at this time it appeared that JPR was well on its way to achieving its goal of being an oil producer sometime in 2009.

Unfortunately, since making the initial announcement, capital markets globally have experienced unprecedented volatility and, in particular, a major correction to the downside over the past two months.

This instability led to further discussions with the owner of NWZ and announcements were made on 12 August 2008 and subsequently on 1 September 2008, outlining revised terms for the proposed acquisition and confirmation that JPR was now looking to acquire 100% of the field (up from the initial 50% outlined in the 30 June 2008 MOU).

Markets continued to deteriorate during September and on 26 September 2008, MBL and JPR agreed to terminate the exclusive mandate that had been signed on 15 July 2008, allowing JPR to open dialogue with other parties that had indicated interest in assisting with providing debt finance for the NWZ acquisition.

On 24 October 2008, shareholders met and passed all resolutions, giving the Board the ability to raise up to \$A24m in fresh equity to enable the Company to complete its acquisition of NWZ. Discussions are currently underway with the owner as to whether a transaction involving NWZ is still possible, taking into account the continued downturn in the capital markets, the major reduction in the \$A vs. the \$US and the continuing decline in the price of oil. The Company hopes to soon be able to announce its final position with regards the potential acquisition of NWZ.

### **Subsequent Events:**

As has already been discussed, the Company has been granted the extension to Block 31, the strategic importance of which is significant and has been covered in an earlier section of this report.

On 24 October 2008, shareholders met and passed all resolutions, giving the Board the ability to raise up to \$A24m in fresh equity.

## Capital Structure:

As at 30 September 2008, the Company had 356,860,189 listed shares (trading as JPR) and 300,000,000 listed options (trading as JPROA). The Company also has approximately 30.6m unlisted options, 20m of which are management options that vest over the next two years and are subject to performance hurdles. These options, should they vest, have an exercise price of 8 cents and will expire on 31 December 2011.

At the General Meeting held on 24 October 2008, shareholders approved the resolution allowing the Board to issue 5m shares to JPR Director Erkin Svanbayev (or his nominee), meaning that the number of shares now on issue stands at 361,860,189.

Cash reserves of the Company as at 30 September 2008 stood at approximately \$A4.4m.

## Summary:

The past 3-4 month period has been a very difficult one for all listed companies and JPR's share price has suffered with the overall market decline that has taken place. However, there has been significant progress made with the development of Block 31. The seismic program is now well advanced and the extension to the permit has been granted by the Kazakh Government. The permit appears to offer the Company an area of great potential and after the 3D seismic has been processed and interpreted, the Company will have more clarity on the total upside of this acreage and in particular the specific location of the initial well to be drilled during 2009.

Whilst NWZ still represents a great opportunity for the Company, and the Board continues to work as hard as possible with the current owner to come to a realistic price for the asset, it has to be said that the current market conditions are making the proposed acquisition of NWZ difficult to conclude.

If shareholders have any questions regarding this activities report, they can contact myself via phone on 0417 914 137 or via email – [geoff@highway1.com.au](mailto:geoff@highway1.com.au)

Geoff Gander  
Executive Chairman

**ENDS**

***Footnote:** The information in this document that relates to oil exploration results and reserves is based on information compiled by Mr. Keith Martens who is a Director of Martens Petroleum Consulting Pty Ltd. Mr. Keith Martens has sufficient experience which is relevant to oil exploration and to the specific activity in Kazakhstan to qualify as competent to verify the above statements. Mr. Keith Martens consents to the inclusion of the 1P, 2P and 3P reserves and production outlook in the form and context in which they appear.*

**Photos of Block 31 Seismic Shoot in Progress**

