

12 August 2008

Jupiter moves from 50% to 100% ownership of North West Zhetybai - an existing oil field in Kazakhstan

KEY HIGHLIGHTS

- 3P reserves on NWZ currently estimated at 36 million barrels of oil (mmbbls)
- Macquarie Bank has agreed indicative terms to provide a debt package to support the acquisition and JPR is confident of finalising an equity raising to complete the total financing of the transaction.
- Purchase price range is set between \$US5 and \$US8.67 per barrel of proven (1P) oil reserves with the maximum price of field capped at a valuation based on 1P reserves of 10 mmbbls
- JPR will implement field work program on NWZ to drill two development wells and fund re-entry and completion of the field's existing wells. Expectation is to achieve production of 4,000 barrels per day from the field by the end of 2009.
- Assuming a successful Block 32 application, JPR will have secured a contiguous 150 sq km area in the oil rich Mangistau Basin

Details of the Transaction

The Board of Jupiter Energy Limited (ASX: **JPR**) is pleased to advise that the Company has signed a revised Memorandum of Understanding (**MOU**) which sets out the terms upon which JPR proposes to acquire 100% of the North-West Zhetybai oil field (**NWZ**) situated in the Mangistau Basin, Kazakhstan. The acquisition will be made through JPR's 100% owned Singapore subsidiary, Jupiter Energy (NWZ) Pte Ltd. The revised transaction has been structured to enable JPR to be the 100% owner of the field, thereby giving JPR complete control of the ownership and operation of NWZ.

Background on North-West Zhetybai

NWZ is located to the southwest of JPR's initial exploration acreage (Block 31) and assuming JPR's extension application for Block 32 is successful, the combination of Block 31, Block 32 and NWZ will form a contiguous 150 sq km area in the oil rich Mangistau Basin. NWZ was discovered in 1984 and based on 2D seismic shot at that time, an initial 7 wells were drilled. 3 wells flowed free oil from 5 zones and there were shows and log anomalies in the 4 other wells. Based on this 1980's 2D seismic, the government recorded the proven (1P) reserves for NWZ as 4.5 million barrels of oil (mmbbls) and based on the more recently shot 3D seismic, it is JPR's view that proven plus possible (2P) reserves stand at 21 mmbbls and proven plus probable plus possible (3P) reserves stand at 36 mmbbls. The expectation is to have, by the end of 2009, 8 operating wells on the field, each producing approximately 500 barrels per day, thus providing JPR with production capacity of 4,000 barrels a day, assuming all regulatory approvals are in place in that same timeframe.

Commenting on the revised transaction, JPR Chairman Geoff Gander said, "We are delighted to have been able to agree revised terms with the current owner of the field. The renegotiated transaction will see Jupiter secure 100% of North West Zhetybai for a capped maximum price of \$US50,000,000, with the final price being determined by the amount of proven (1P) reserves identified as a result of our fully funded working program. Acquiring 100% ensures that JPR will be in full control of the operation of the field, the field will be developed in the most optimal way and the pricing methodology means we will be paying a price that is capped at proven reserves of 10 million barrels. Our due diligence is almost complete and after our recent road show we are confident that, under the terms of the new MOU, we will be able to secure the necessary funds to proceed. As announced on 15 July 2008, we intend partnering with Macquarie Bank Limited (**MBL**) in terms of a debt facility and we plan to raise equity from a combination of Australian and overseas investors."

As outlined above, the purchase of 100% of NWZ, when combined with Block 31 and Block 32 (assuming a successful extension application for Block 32) will give JPR a significant footprint in 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 5.3 billion barrels of oil. Most of the discoveries are contained within the Zhetybai-Uzen step with the two biggest fields being Uzen and Zhetybai. Importantly, both of these fields produce from both the Jurassic and the Triassic and Block 31, 32 and NWZ are all on the same trend as the Uzen and Zhetybai oil fields.

Material terms of the revised MOU

The material terms of the revised MOU are as follows:

- The purchase price for 100% of the NWZ field will be capped at \$US50,000,000;
- An initial payment of \$US28,000,000 will be made to the owners of the field;
- JPR will commit to a 1 year work program to further develop the field and prove up its 1P reserves;
- The objective of the work program will be to drill two development wells as well as fund the re-entry and completion of existing wells on the NWZ field. The results of this activity will be used to obtain an independent assessment of the proven (1P) reserves of the field;
- Once the reserves are independently confirmed, JPR will make a final payment of up to \$US22,000,000 to the current owners. This payment will be broken into two components;
- If the 1P reserves are over 4.5 mmbbls a payment of \$US11,000,000 will be made. A second payment of up to a maximum of \$US11,000,000 will also be paid on the basis of \$US2,000,000 per 1P of confirmed reserves over 4.5 mmbbls. A table giving a range of examples of the total price to be paid under different 1P scenarios is outlined in Appendix 1 of this announcement;
- The transaction is subject to due diligence, JPR shareholder approval and JPR completing the required debt/equity package to enable the transaction to proceed.

Funding

As already announced on 15 July 2008, JPR will be working with MBL to finalise a debt package. This debt, when combined with an equity raising, will provide the monies required to fund the initial payment to the current owners as well as the 12 month working program on the field. The JPR Board is currently working with the Company's financial advisors, Indian Ocean Capital Pty Ltd, to complete the equity component of the transaction and will announce details of a capital raising in the near future. Once due diligence has been completed and a funding package has been agreed, a Notice of Meeting will be completed and mailed to shareholders, outlining the proposed transaction, the funding approach and all the relevant resolutions that shareholders will need to consider to approve the transaction. A road show promoting the acquisition was carried out in July 2008 and as such discussions are well progressed with a range of potential Australian and overseas investors and it is expected that the specific parameters of the required debt/equity package will be finalised shortly.

Summary

In summary, the purchase of 100% of NWZ is an important milestone in JPR's corporate history. The revised transaction ensures that some of the areas of risk identified with the initially proposed 50% transaction have been removed. When combined with JPR's existing exploration portfolio, the NWZ field will provide JPR with the ability to generate revenues and realise its ambition to be an oil producer in the Mangistau Basin. The Board

believes that this area will prove to have significant underlying reserves across Blocks 31, 32 and NWZ. The Company will keep shareholders apprised in terms of the funding for the NWZ acquisition as well as the status of its Block 32 extension application.

Any questions regarding this announcement should be directed to JPR Chairman, Geoff Gander, on 0417 914 137.

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.*

APPENDIX 1 – DIFFERENT PRICING SCENARIOS FOR NWZ

Confirmed 1P (mmbbls)	1 st payment	2 nd payment	3 rd payment	TOTAL
<4.5	28,000,000	0	0	28,000,000
5	28,000,000	11,000,000	1,000,000	40,000,000
6	28,000,000	11,000,000	3,000,000	42,000,000
7	28,000,000	11,000,000	5,000,000	44,000,000
8	28,000,000	11,000,000	7,000,000	46,000,000
9	28,000,000	11,000,000	9,000,000	48,000,000
10	28,000,000	11,000,000	11,000,000	50,000,000
11+	28,000,000	11,000,000	11,000,000	50,000,000

Key Parameters:

- Upfront payment to owner: \$US28,000,000
- 2nd Payment of \$US11,000,000 to be made to owner if 1P reserves confirmed by independent consultant to be at least 4.5 mmbbls
- 3rd Payment to owner to be based on a prorata calculation of \$US2,000,000 for each 1P reserve measured between 4.5 and 10 mmbbls. This payment will be capped at \$11,000,000.
- Total payment range: \$US28,000,000 (min) to \$US50,000,000 (max)