

30 June 2008

## **Jupiter enters into agreement to purchase existing oil field in Kazakhstan**

### **KEY HIGHLIGHTS**

- **Jupiter secures 50% of North West Zhetybai (NWZ) - an oil field with proven reserves and located in the Mangistau Basin adjacent to JPR's 100% owned Block 31**
- **3P reserves on NWZ currently are estimated at 36 million barrels of oil (mmbbls)**
- **JPR has agreed a 50/50 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 by end of 2009.**
- **JPR has right to buy remaining 50% on completion of 3<sup>rd</sup> party re-evaluation of the NWZ oil reserves which will be carried out on completion of the work program**
- **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 Memorandum of Understanding (**MOU**) which sets out the terms upon which JPR proposes to acquire a 50% interest in the North-West Zhetybai field (**NWZ**). The acquisition will be made through JPR's 100% owned Singapore subsidiary, Jupiter Energy (NWZ) Pte Ltd and will be in collaboration with the Share Investment Fund Verniy Activ (**SIF Verniy Activ**).

### **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 6 wells were drilled. 3 wells flowed free oil from 5 zones and there were shows and log anomalies in the 3 other wells. Based on this 1980's 2D seismic, government recorded reserves (1P) for NWZ are listed at 4.5 million barrels of oil (mmbbls) but the current owner has recently completed 3D seismic on the field and believes that there are proven plus probable (2P) reserves of 14 mmbbls. It is important to note that neither of these 1P and 2P figures include the three Jurassic zones above the massive Triassic sandstones and it is JPR's view that proven plus probable plus possible (3P) reserves stand at 36 mmbbls. The expectation is to have 8 operating wells on the field, each producing c 500 barrels per day, thus providing production capacity of 4,000 barrels a day by the end of 2009, assuming all regulatory approvals are in place in that same timeframe.

Commenting on the proposed transaction, JPR Chairman Geoff Gander said, "The purchase of 50% of North West Zhetybai represents a major opportunity for Jupiter Energy. We understand the technical attributes of the field extremely well. JPR's Technical Consultant Keith Martens has already had the opportunity to review a range of technical data on the field, from a variety of sources, and based on his findings, the Board believes that the field has all the signs of being a company maker. Our due diligence will enable us to firm up what we anticipate might be the expected reserves and will also give us the time to ensure we have all the necessary approvals and waivers from the Kazakh authorities to complete the transaction. We have learnt a great deal about the administrative processes in Kazakhstan during the acquisition of Block 31 and I hope that the processes required to finalise this transaction will run smoothly as a result of the successful Block 31 experience."

As outlined above, the purchase of a 50% share in 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 Uzen and Zhetybai. (See location map attached)

### **Material terms of the MOU**

The material terms of the MOU are as follows:

- The purchase price for 50% of the NWZ field is \$US26,000,000;
- Both JPR and SIF Verniy Activ will each commit to a 1 year work program with a budget of \$US12,000,000 with both parties funding \$US6,000,000 each;
- The total funds required to be raised by JPR will be \$US32,000,000;
- 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 reserves of the field;
- Once the reserves are confirmed and an updated value is placed on the NWZ field, JPR will have the right to negotiate to purchase the remaining 50% of the field from SIF Verniy Activ. If JPR elects not to purchase the remaining 50%, SIF Verniy Activ may seek an alternative buyer. If an alternative buyer is found, JPR will still have the right to make a best and final offer for the remaining 50% of the field it does not own.
- The day to day management of NWZ will be agreed and documented under a joint working program, with both SIF Verniy Activ and JPR providing the resources to manage the field. Ole Udsen will act as Managing Director and work closely with JPR Director Erkin Svanbayev and JPR Technical Consultant Keith Martens to ensure the objectives of the work program are achieved.
- The transaction is subject to due diligence, JPR shareholder approval and JPR raising the required funds to enable the transaction to proceed.

### **Funding**

JPR has been in early discussions with a number of national and international finance organisations offering a range of possible funding packages to complete a purchase of this type. Funding options include debt and/or equity and the Board will review all proposals before making a final recommendation to shareholders. With oil trading at near record levels, the Board is confident that the funding requirements to complete the purchase will be met.

Working with the Company's financial advisors, Indian Ocean Capital Pty Ltd, the Board will continue discussions with interested parties and 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.

### **Summary**

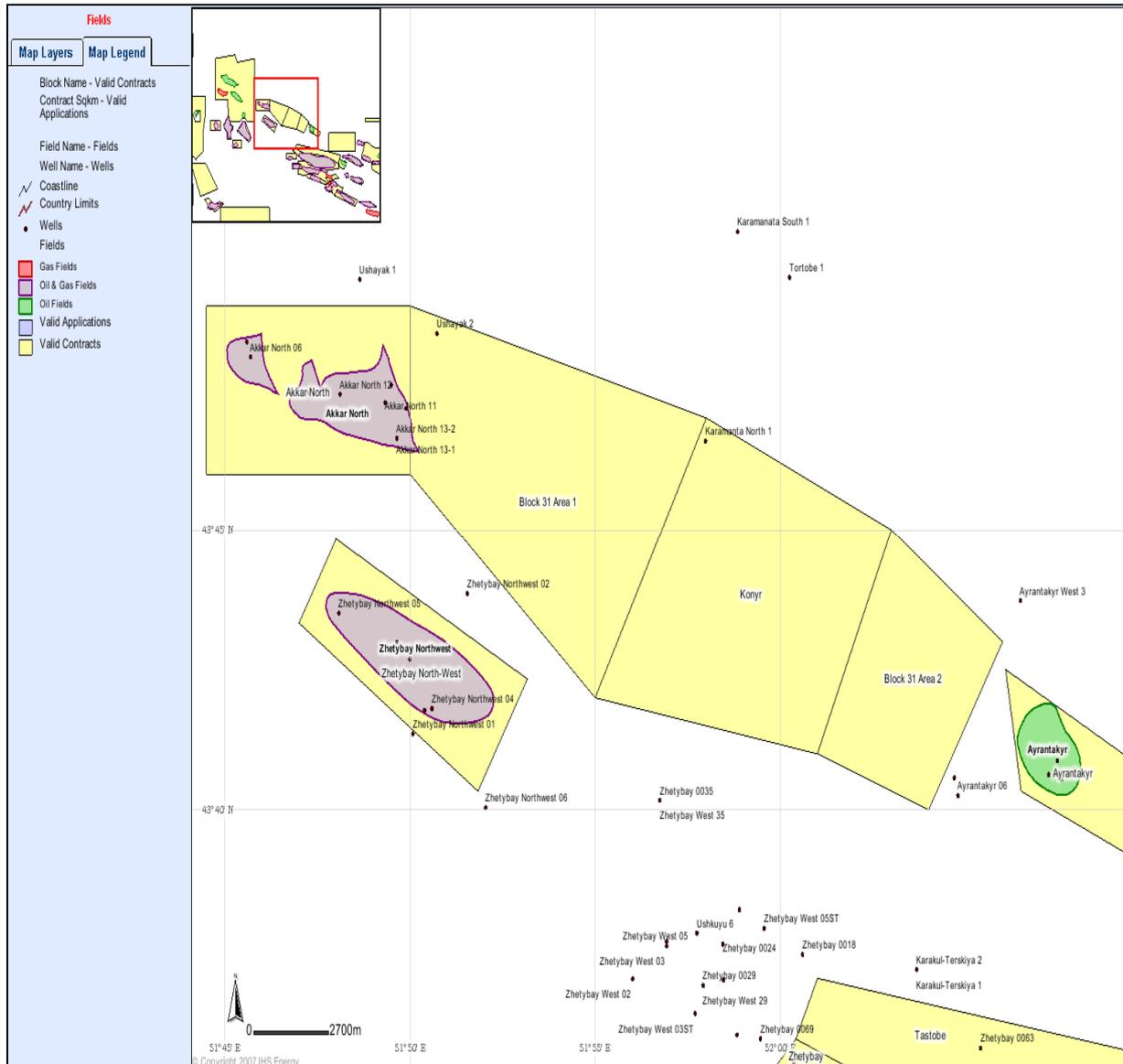
In summary, the purchase of NWZ is an important milestone in JPR's corporate history. When combined with JPR's existing exploration portfolio, the field will provide JPR with the ability to generate revenues and realise its ambition to be an oil producer in the Mangistau Basin. The Board believes that this area will prove to have significant underlying reserves across Blocks 31, 32 and NWZ. The Company continues to evaluate other potential permits and will keep

shareholders appraised in terms of the funding options for the NWZ acquisition as well as the status of its Block 32 extension application. Progress with other potential oil field acquisitions will be announced in due course.

Any questions regarding this announcement should be direct 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.*



**Location Maps:**

Larger map outlines Block 31 (Area 1 and Area 2) and the North West Zhetybai (NWZ) oil field. Map also shows the Akkar North oil field that borders Area 1 of Block 31.

Smaller map shows the general location of the fields in relation to the broader Mangistau Basin and highlights the fact that Block 31 and NWZ are on trend with the large oil fields – Uzen and Zhetybai - that have produced the bulk of the 5.3 billion barrels of oil that has so far come from the area.