



## 2013 Operational Update

30 January 2013



## ZHAIKMUNAI 2013 OPERATIONAL UPDATE

*Douglas, Isle of Man – 30 January, 2013: Zhaikmunai L.P. (LSE:ZKM) (“Zhaikmunai”) issues the following Operational Update summarizing key activities since the Q3 2012 Interim Results and Update on 21 November 2012.*

### KEY HIGHLIGHTS

- Zhaikmunai’s total average daily production has been approximately 46,500 boepd since January 21, 2013. This is a result of tying in 3 additional gas condensate wells between the end of 2012 and the beginning of 2013 and bringing them towards full production over the first few weeks of the year. Zhaikmunai is especially pleased with the results from the Devonian gas condensate well #217 detailed below;
- Fourth quarter total average daily production (Q4) averaged 37,184 boepd, taking into account Zhaikmunai’s two-week annual maintenance shutdown of the GTF (Gas Treatment Facility) during October 2012. In 2012, total daily production averaged 36,940 boepd.
- In 2013, total average daily production is expected to be in excess of 45,000 boepd and Zhaikmunai plans to more than double this total average daily production volume over the next 3-year period with the increased gas processing capability of the planned third GTF train.
- Drilling plans over the next 12 months include 15 - 17 wells, 9 of which will be appraisal wells, 1 exploration well and 5 - 7 production wells;

### Production Overview

- Since 21 January 2013, the total average daily production has been approximately 46,500 boepd, with the tie-in of 3 new gas condensate wells;
- Q4 2012 total average daily production amounted to 37,184 boepd, representing an increase of approximately 83% compared with Q4 2011 (20,355 boepd);
- Total production for 2012 increased by approximately 181% to 13,520,205 boe from 4,803,561 boe in 2011;
- Total average daily production for 2012 was 36,940 boepd, an increase of approximately 181% compared to 2011 (13,158 boepd);
- The product split for 2012 was as follows:

Products	2012 Average Production	2012 Average Product %
Crude Oil & Stabilised Condensate	15,764 boepd	43%
LPG (Liquid Petroleum Gas)	2,940 boepd	8%
Dry Gas	18,237 boepd	49%
<b>TOTAL</b>	<b>36,940 boepd</b>	<b>100%</b>

- The average realized oil price for 2012 was US\$ 107.46/bbl.

### Summary of New Wells

#### a) Devonian Gas Condensate Well #217

Zhaikmunai reports the successful drilling and testing of the partially insulated Biski-Afoninski reservoir compartment in the north-eastern part of the Chinarevskoye field. Well #217 was

drilled as a deviated directional gas condensate production well for the Biski-Afoninski reservoirs at a structural high and in a partially separated fault compartment at the north-eastern block of the Chinarevskoye field, southeast of production Well #218. The reservoir pressure in this compartment is near to initial reservoir pressures and about 40 bars higher compared to other producing Biski-Afoninski wells. The flow rate is approximately 4,000 boepd, which is significantly above expectations.

#### **b) Tournaisian Gas Condensate Wells #404 and #406 (Chinarevskoye Southern Part)**

Gas condensate Wells #404 and #406 were drilled using the same successful directional drilling technology previously applied for Tournaisian oil production wells in the north-eastern block. Well #404 also confirms the success of the selective multi-step perforation and stimulation technology, starting with the treatment of the low permeable reservoir intervals (0.5-5.0 mD) followed by higher permeable intervals. The production log of Well #404 proved that all potential sub-layers of the reservoir interval were connected to production. The flow rates of both wells were in line with expectations at approximately 1,000 boepd.

**Well #404** – drilled as a deviated directional gas condensate production well for the Tournaisian reservoirs using the same drilling, perforation, and stimulation technologies as successful oil production Well #116. The well was drilled in favourable geological conditions southeast of gas production Well #31 and was perforated at depths of 4,472 - 4,549 meters after applying selective three-step perforation and stimulation technology.

**Well #406** – also drilled as a deviated directional gas condensate production well for the Tournaisian reservoirs southeast of Well #404, at the border of the mapped structure, with reduced reservoir thickness and low permeabilities. This well was perforated at depths 4,504 - 4,544 meters after one-step perforation and stimulation of all potential reservoir intervals.

#### **2012 – KEY MILESTONES**

- **Successful Pricing of US\$ 560 Million Notes Due 2019 at a Coupon of 7.125%**

In November 2012, Zhaikmunai successfully priced US\$ 560 million aggregate principal amount of senior bonds with a seven-year maturity (2019) at a fixed coupon of 7.125% per annum. The new notes were used in part to repay US\$ 357 million of its existing notes, which allowed Zhaikmunai to extend 80% of its existing liabilities to 2019 and to reduce the interest rate of 10.5% on the previously issued bonds down to 7.125% on the new bonds.

- **Payment of Inaugural Dividend and Adoption of Dividend Policy**

In Q3 2012, Zhaikmunai announced the payment of its inaugural dividend, being a cash distribution of 32 cents per partnership interest (equal to US\$ 60.2 million), and the adoption of a dividend policy by the Board of Directors of its General Partner of not less than 20% of the Partnership's consolidated net profit per annum.

- **Acquisition of 3 New Licenses**

In Q3 2012, Zhaikmunai signed Asset Purchase Agreements to acquire 100% of the subsoil use rights related to three new oil and gas fields (Rostoshinskoye, Darzhinskoye and Yuzhno-Gremyachenskoye) in the pre-Caspian basin to the northwest of Uralsk, located approximately 60 -120 km away from the Chinarevskoye field, for a total purchase price of US\$ 16 million. In Q4 2012, the Antimonopoly Agency as well as the Ministry of Oil and Gas (MOG) of the Republic of Kazakhstan provided their consent for the acquisition of all three fields and the partnership is currently finalizing the supplementary agreements with the MOG to become the legal owner of the subsoil user rights.

ZKM estimates that it will cost approximately US\$ 85 million to conduct the necessary appraisal and development activities in the three fields over the next 2 - 3 years. These activities will include the acquisition of new 3D seismic data and/or the reprocessing of existing 2D and/or 3D seismic data, as well as exploration/appraisal drilling in order to validate and expand on the existing reserves reports. The latter include the following reserves estimates: 1P – 28 mmboe; 2P – 131 mmboe; 3P – 187 mmboe for the three fields taken together. Zhaikmunai believes the upside potential for these fields to be very promising.

- **Drilling**

During 2012, 9 wells were drilled and completed, bringing the total number of producing wells to 29, i.e. 11 gas condensate wells and 18 crude oil wells.

- **Expansion of Processing Capacity with Additional Train to GTF**

The design of the second phase GTF has been completed and has received approval from the Kazakh authorities. Zhaikmunai is currently analyzing and evaluating the response to proposals submitted last year to contractors for the delivery of equipment and the construction of the new gas plant.

**Kai-Uwe Kessel, Chief Executive Officer of Zhaikmunai commented:**

*“2012 was an excellent year for Zhaikmunai in which we managed to achieve a number of important goals. Our first year of operating the GTF and bringing it towards full capacity reinforces the track record our team has built in successfully constructing and operating large infrastructure projects. With current average production within 5% of full capacity and our balance sheet showing a strong cash position, combined with the extension to our debt financing from our bond transaction, we have an excellent platform from which to continue to build the business. We have an important programme ahead of us in 2013 and I look forward to implementing the next stage of our development.”*

**Frank Monstrey, Chairman of Zhaikmunai commented:**

*“I am delighted to congratulate the management team on another excellent 12 months. 2012 was a landmark year with the GTF fully operational and ramping up towards nameplate capacity consistently. 2013 will be an exciting year as we take the first steps towards our next goal of more than doubling production to over 100,000 boepd by the end of 2016. I have full confidence in the management team successfully implementing the next stage of our development and look forward to an exciting future for Zhaikmunai.”*

Further information

For further information please visit [www.zhaikmunai.com](http://www.zhaikmunai.com)

Further enquiries

Zhaikmunai LP – Investor Relations  
Bruno G. Meere  
Kirsty Hamilton-Smith  
investor\_relations@zhaikmunai.com + 44 (0) 1624 68 21 79

Pelham Bell Pottinger

Philip Dennis  
Elena Dobson

+ 44 (0) 207 861 32 32

#### About Zhaikmunai

Zhaikmunai is an independent oil and gas enterprise currently engaging in the exploration and development and production of oil and gas. It is listed on the London Stock Exchange (Ticker symbol: ZKM). Its principal producing asset is the Chinarevskoye Field located in northwestern Kazakhstan. Zhaikmunai L.L.P., a wholly-owned subsidiary of Zhaikmunai L.P., holds a 100% interest in and is the operator of the Production Sharing Agreement for the Chinarevskoye Field.

#### Forward-Looking Statements

Some of the statements in this document are forward-looking. Forward-looking statements include statements regarding the intent, belief and current expectations of the Partnership or its officers with respect to various matters. When used in this document, the words "expects," "believes," "anticipates," "plans," "may," "will," "should" and similar expressions, and the negatives thereof, are intended to identify forward-looking statements. Such statements are not promises or guarantees, and are subject to risks and uncertainties that could cause actual outcomes to differ materially from those suggested by any such statements.