

M3ENERGY BERHAD
(Company No. 206596-H)
(Incorporated in Malaysia)

WE, THE UNDERSIGNED, BEING ALL THE DIRECTORS OF THE COMPANY PRESENT IN MALAYSIA FOR THE TIME BEING ENTITLED TO NOTICE OF A MEETING PURSUANT TO ARTICLE 121 OF THE COMPANY'S ARTICLES OF ASSOCIATION, DO HEREBY RESOLVE:-

ANNOUNCEMENT ON THE LETTER OF AWARD- SERVICE CONTRACT FOR THE DEVELOPMENT OF OFFSHORE MARGINAL FIELDS

THAT reference is made to the announcements made by the Company on 5 and 6 April 2006 in respect of the award of a service contract for the development of offshore marginal fields off Mumbai, India (known as Cluster 7) by Oil and Natural Gas Corporation Limited ("ONGC") of India to the consortium of the Company, Hindustan Petroleum Corporation Limited ("HPCL") and Prize Petroleum Company Ltd ("PPCL") ("Consortium").

THAT it is hereby noted that a formal contract ("the Contract") between the Consortium and ONGC has been signed on 27 September 2006 in New Delhi, India ("the Venture"). The respective interest of the Company, HPCL and PPCL in the Consortium are 30%, 60% and 10% respectively.

THAT the salient terms and conditions of the Contract are as follows:-

- A) Contract Period is from 31 March 2006 to 31 March 2019. Development period of 3 years and Production period of up to 10 years.
- B) Initial Development period is up to 31 March 2009.
- C) The scope of work under the contract includes geological, geophysical and reservoir assessment, field development, operations and maintenance of the fields.
- D) Commercial terms of the Contract :-
- i) Revenue from Oil production
Consortium will receive payment based on 55.1% share of price of Oil between USD18 (floor price) to USD35 (ceiling price) per barrel. If price goes beyond ceiling price, Consortium shares 10% of price difference between actual and ceiling price. If price falls below floor price, Consortium may stop production temporarily or ONGC may ask Consortium to produce and may pay the Consortium at floor price and adjust the extra payment above International price when the price of Oil rises above floor level at subsequent date.

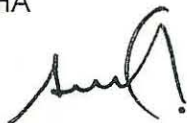
Oil price will be the price of Bonny Light Crude minus USD0.75 per barrel.
 - ii) Revenue from Gas production
Consortium will receive payment based on 70.0% share of price of Gas linked to ONGC's "Producer Gas Price" of INR3,200 per thousand cubic meter.

THAT in connection therewith, authority be and is hereby given to the Company Secretary to release the announcement immediately to Bursa Malaysia Securities Berhad pertaining to the above matter; a copy of which is attached herewith for reference.

BOARD OF DIRECTORS



DATO' ZULKIFLY @ SOFI BIN HAJI
MUSTAPHA



DATUK SHAHRAZI BIN SHA'ARI

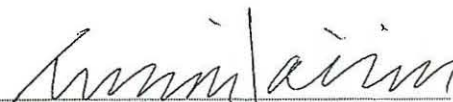


DATO' JAFFAR INDOT

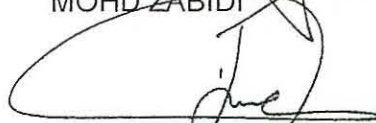
NIKMAT BIN ABDULLAH



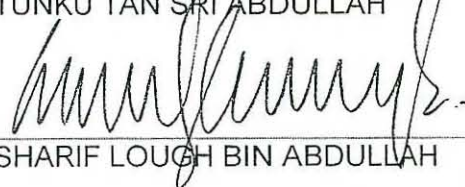
LIM KIM CHUAN



DATO' ABDUL AZIM BIN
MOHD ZABIDI

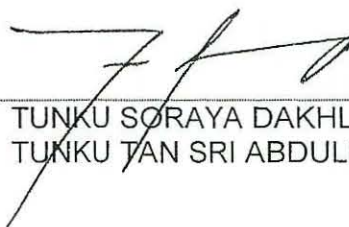


TUNKU DATO' YA'ACOB BIN
TUNKU TAN SRI ABDULLAH



SHARIF LOUGH BIN ABDULLAH

THONG KAI CHIEN



TUNKU SORAYA DAKHLAH BINTI
TUNKU TAN SRI ABDULLAH

KUALA LUMPUR
DATED: 29 SEPTEMBER 2006



Form Version 2.0

General Announcement

Submitted by CS_TRACE MANAGEMENT on 29/09/2006 07:24:24 PM

Reference No CM-060929-67447

Submitting Merchant Bank (if applicable) :
Submitting Secretarial Firm Name (if applicable) : Trace Management Services Sdn Bhd
* Company name : M3nergy Berhad
* Stock name : M3NERGY
* Stock code : 8559
* Contact person : Ms Lily Yin Kam May
* Designation : Company Secretary

* Type : Announcement Reply to query

* Subject :

M3NERGY BERHAD ("M3NERGY" or "THE COMPANY")

LETTER OF AWARD –SERVICE CONTRACT FOR THE DEVELOPMENT OF OFFSHORE MARGINAL FIELDS

* Contents :-

1. INTRODUCTION

Reference is made to the announcements made by the Company on 5 and 6 April 2006 in respect of the award of a service contract for the development of offshore marginal fields off Mumbai, India (known as Cluster 7) by Oil and Natural Gas Corporation Limited ("ONGC") of India to the consortium of M3nergy Berhad, Hindustan Petroleum Corporation Limited ("HPCL") and Prize Petroleum Company Ltd ("PPCL") ("Consortium").

The Board of Directors of M3nergy Berhad ("M3nergy") is pleased to announce that the formal contract between the Consortium and ONGC has been signed on 27 September 2006 in New Delhi, India ("the Venture"). The respective interests of M3nergy, HPCL and PPCL in the Consortium are 30%, 60% and 10% respectively.

2. SALIENT TERMS AND CONDITIONS OF THE CONTRACT

a	Contract Period	31 March 2006 to 31 March 2019. Development period of 3 years and Production period of up to 10 years
b	Initial Development Period	Up to 31 March 2009.
c	Scope of Work	The scope of work under the contract includes geological, geophysical and reservoir assessment, field development, operations and maintenance of the fields.

d	Commercial Terms	<p>i. Revenue from Oil production</p> <p>Consortium will receive payment based on 55.1% share of price of Oil between USD18 (floor price) to USD35 (ceiling price) per barrel. If price goes beyond ceiling price, Consortium shares 10% of price difference between actual and ceiling price. If price falls below floor price, Consortium may stop production temporarily or ONGC may ask Consortium to produce and may pay the Consortium at floor price and adjust the extra payment above International price when the price of Oil rises above floor level at subsequent date.</p> <p>Oil price will be the price of Bonny Light Crude minus USD0.75 per barrel.</p> <p>ii. Revenue from Gas production</p> <p>Consortium will receive payment based on 70.0% share of price of Gas linked to ONGC's "Producer Gas Price" of INR3,200 per thousand cubic meter.</p>
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3. INFORMATION ON ONGC

ONGC is one of the largest fully integrated petroleum company in India. It holds the largest share of hydrocarbon acreages in India and contributes over 84 percent of India's oil and gas production.

For further information, please visit the company's website at <http://www.ongcindia.com>.

4. INFORMATION ON HPCL

HPCL is the second largest integrated oil refining and marketing company in India. It has refineries in Mumbai, Vishakhapatnam and a joint venture refining facility at Mangalore Refinery & Petrochemicals Limited producing almost 20% of India's refining requirements.

For further information, please visit the company's website at <http://www.hindustanpetroleum.com>.

5. INFORMATION ON PPCL

PPCL is the subsidiary of HPCL carrying out exploration and production of oil and gas.

6. RATIONALE FOR THE VENTURE

This is M3nergy's opportunity to venture into upstream oil and gas activities.

7. TOTAL CAPITAL AND INVESTMENT OUTLAY IN THE VENTURE

M3nergy's share of the estimated total capital and investment outlay is between USD50 to USD60 million.

8. SOURCE OF FUNDS

M3nergy will be financing its share of the project substantially through borrowings and some internal funds.

9. PROSPECT

The estimated recoverable reserve is between 35 – 50 million barrels of oil. Initial daily production is anticipated to be 15,000 – 18,000 barrels and the projected field life is 8 – 10 years.

10. FINANCIAL IMPACT

The Venture is not expected to have any material effect on the net assets and earnings of the Group during the development period from 2006 to 2008. The profitability of the Venture is dependent upon various factors, the major ones being the oil prices and oil reserves. Based on the oil price of USD40 and recoverable oil reserve of 40 million barrels, M3nergy's share of the net profit from the Venture over the production period of 8 years is expected to be about RM100 million.

11. RISK FACTORS

The major risk factors are the amount of recoverable oil reserves and future oil prices.

12. APPROVALS REQUIRED

The Venture is not subject to the approval of the shareholders of M3nergy or any regulatory authorities.

13. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

None of the Directors and substantial shareholders of M3nergy and persons connected to them have any interest, direct or indirect, in the Venture.

14. OPINION OF DIRECTORS

The Directors of M3nergy are of the opinion that the Venture is fair and in the best interest of the Company.

This announcement is dated 29 September 2006.

Tables Section - This section is to be used to create and insert tables. Please make the appropriate reference to the table(s) in the Contents of the Announcement:

