

CORPORATE INFORMATION

Jupiter Energy Limited

ABN 65 084 918 481

Directors

Geoffrey Gander (Executive Chairman)
David Thorpe (Managing Director)
Yerkin Svanbayev (Executive Director)
Andrew Childs (Non-Executive Director)

Company Secretary

Scott Mison

Registered Office & Principal Place of Business

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Solicitors

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16 Milligan Street
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Auditors

Ernst & Young
11 Mount Street
Perth WA 6000

Bankers

Australian and New Zealand Banking Group Limited
7/77 St Georges Terrace
Perth WA 6000

Share Registry

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Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited
ASX Code: JPR

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CHAIRMAN'S LETTER

Dear Shareholder,

I am pleased to present the 2010 Annual Report for Jupiter Energy Limited.

Over the past 12 months Jupiter Energy Limited (JPR) has achieved a number of significant operational milestones and successfully transformed from an explorer to an oil producer. The key operational event for the year was the drilling, completion and production testing of JPR's first operated well (J-50) on its Block 31 permit. Details of the results of the J-50 well are contained in the Operations Review.

The prospectivity of our Block 31 permit continued to improve and this was verified by two separate independent reviews carried out by internationally recognised oil & gas consulting companies - Senergy Oil & Gas (Senergy) and Reservoir Evaluation Services (RES). With the combination of the figures provided by Senergy, RES and JPR's own internal assessment of the prospectivity of the permit, the Board believes that Block 31 now contains 80million barrels of oil recoverable and the key focus item over the next 12 months will be to ensure that the successful drilling of our J-51 and J-52 wells provides the Company with both increased production and improved drilling data that should enable a further independent review of the permit to be carried out. The Board hopes this in turn will lead to a further upgrade of proven reserves from areas that are currently classified as a prospective resource.

The key to being able to carry out such a drilling program is funding and in what I believe will be a transformational event for the Company, JPR announced in August 2010 that the Waterford Group had become a cornerstone investor in Jupiter Energy Limited.

The Waterford Group is a private holding company which invests, with a long term view, in international resource projects including oil & gas exploration, development and production companies. Working with the Waterford Group, JPR has raised \$16.67 million (before costs) via a series of placements and a 1 for 3 non renounceable Rights Issue, with all shares being issued at 2.7 cents per share. The process was designed to ensure all shareholders could participate in the fund raising exercise and I thank shareholders that have shown their support via taking up their entitlement in the Rights Issue.

In October 2010, Waterford will nominate two Directors to join the JPR Board and the focus of the new Board will be to continue the development of the Company into a meaningful E&P organisation through the ongoing development of the Block 31 permit in Kazakhstan as well as to look for new opportunities to grow our acreage in country.

Clearly the Company has a very exciting 12 months ahead of it and success with J-51 and J-52 will continue to lay the foundation for Jupiter Energy Limited to grow into a significant oil producer in what is one of the most prospective oil producing countries in the world today.

I thank shareholders for their ongoing patience and enduring support and look forward to meeting as many of you as possible in person at the Annual General Meeting scheduled to be held on 15 November 2010.

Sincerely



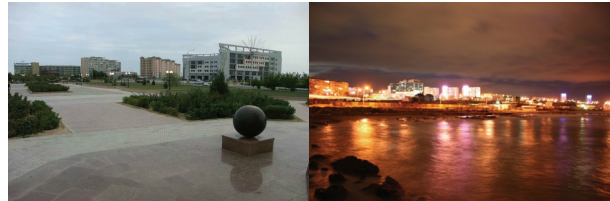
Geoff Gander
Chairman

Some Background on Kazakhstan

Kazakhstan is the ninth largest country in the world and where some say Europe meets Asia. It is also one of the least densely populated countries in the world with less than 6 people per square kilometre. Of the approximate 15 million inhabitants, 53% are Kazakhs, 30% are Russian and the remainder of the population is made up of some 120 other nationalities.

The principal cities are the former capital Almaty, which is now seen as the new financial centre of the country and Astana, the new capital. The official language is Russian but the state language is Kazakh.

The Republic of Kazakhstan has now become a member of the world community and enjoys support from many of the world's leading countries. The country possesses enormous untapped fossil fuel reserves and plentiful supplies of other minerals and metals and its industrial sector largely rests on the extraction and processing of these natural resources.



President Nursultan Nazarbayev is the head of state and in December 2005 was reelected for another seven year term with the Parliament being led by the Prime Minister. The country is divided into 14 oblasts (regions) as well as the cities of Astana and Almaty which also have regional status. Each region is headed by an Akim (Governor) who is appointed by the President.



The country boasts one of the highest growth rates in the world with GDP growing by 9% or more for the past 6 years and now standing at approximately \$US56 billion. In 2007 the country produced over 470 million barrels of oil, making it the largest producer in the Commonwealth of Independent States (CIS) - the old USSR. In that same year (2007), the Country exported over 420 million barrels of oil and gas condensate and that places Kazakhstan in the world's top 10 oil producing nations.

The national currency is the Tenge and has been growing in strength against the \$US in recent years on the back of the booming economy with economic investment and growth continuing to be substantial, with investment particularly coming from most, if not all, the world's leading oil producers. Most of these companies are focused in offshore fields in the North Caspian Sea, principally Kashaghan which is the world's largest field outside the Middle East and the fifth largest field in the world. In addition, the Pre-Caspian Basin has 4 super-giant oil fields including Tengiz (estimated recoverable crude oil reserves of between six and nine billion barrels), Kashagan (estimated reserves in excess of seven billion barrels) and Kurmangazy (estimated recoverable reserves of in excess of seven billion barrels). Importantly there are presently over two hundred producing fields in Kazakhstan with recoverable reserves of oil currently estimated to be over 55 billion barrels.



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DIRECTORS' REPORT

Your Directors submit their report for the year ended 30 June 2010.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications experience and special responsibilities

Geoffrey Anthony Gander (47)

Mr Gander graduated from the University of Western Australia in 1984 where he completed a Bachelor of Commerce Degree.

B.COM

Executive Chairman
Appointed 27 January 2005

Mr Gander is currently responsible for Group Corporate Development, Group Investor Relations and he also works with JPR's Almaty based Director Erkin Svanbayev in developing the Kazakhstan operation.

Other Current Directorships of Listed Companies

None

Former Directorships of Listed Companies in last three years

Equatorial Coal Ltd, Vector Resources Limited, Decmil Limited (formerly Paladio Group Ltd), Lindian Resources Ltd (formerly VPH Limited), Australian Waterwise Solutions Ltd, Biron Apparel Ltd, 3Q Holdings Ltd and Australian Gold Investments Limited.

David Thorpe (47)

Managing Director

Appointed 1 January 2010

Dr Thorpe has a Bachelor of Science (Hons) in Geology and a Doctor of Philosophy from the University of Western Australia and more recently a M Eng Sc (PE) from the University of New South Wales. He has international experience in E&P operating companies in operational roles and brings an extensive drilling and geological operations background to the Company. In mid-2009 he joined Jupiter Energy Limited in the capacity of a Technical Consultant prior to being appointed Managing Director in January 2010.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

Yerkin Svanbayev (55)

B. Eng

Executive Director
Appointed 15 June 2007

Mr Svanbayev is a Kazakh educated Engineer with an oil and gas background in Kazakhstan and extensive upstream and downstream experience. He is an oil trader and involved in the export of significant quantities of crude oil from Kazakhstan, principally through the port city of Aktau. He is Jupiter Energy's main contact in Kazakhstan, oversees the running of the Almaty office and is involved in identifying new oil & gas opportunities for the Company.

Other Current Directorships of Listed Companies

None.

Former Directorships of Listed Companies in last three years

None.

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Andrew Ross Childs (51)

B. Science

Non-Executive Director
Appointed 9 July 2007

Mr Childs is the Managing Director of Petroleum Ventures Pty Ltd and also sits on the Boards of Orion Energy Pty Limited and Stratic Energy Corporation. He graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an Exploration Geologist in the Eastern Goldfields of Western Australia, he moved to petroleum geology and geophysics with Perth-based Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. Andrew is a member of the Petroleum Exploration Society of Australia and the American Association of Petroleum Geologists.

Other Current Directorships of Listed Companies

Stratic Energy Corporation (AIM & TSX)
Audax Energy Limited

Former Directorships of Listed Companies in last three years

Cougar Metals Limited.

COMPANY SECRETARY

Scott Adrian Mison (34) **B.Bus, CA, ACIS**

Appointed 29 May 2007

Mr Mison holds a Bachelor of Business degree majoring in Accounting and Business Law, is a Member of the Institute of Chartered Accountants in Australia and Chartered Secretaries Australia.

Mr Mison is also Company Secretary of several public companies.

Interests in the shares and options of the company and related bodies corporate

At the date of this report and prior to the issue of shares from the September 2010 Rights Issue, the interest of the Directors in the shares and options of Jupiter Energy Limited were:

Director	Number of ordinary shares	Performance Rights	Number of unlisted options
G A Gander	28,700,000	15,000,000	-
D G Thorpe	5,300,000	15,000,000	-
E Svanbayev	11,000,000	15,000,000	5,000,000
A R Childs	13,000,000	-	5,000,000

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Corporate Structure

Jupiter Energy Limited is a company limited by shares that is incorporated and domiciled in Australia. Jupiter Energy Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 25 of the financial statements.

Principal Activities

The principal activities of the consolidated entity during the course of the financial year included:

- Exploration and development of oil and gas in Kazakhstan: and
- Appraisal of oil and gas properties in Kazakhstan

Employees

The consolidated entity employed 23 employees as at 30 June 2010 (2009: 5 employees).

DIVIDENDS

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

FINANCIAL REVIEW

Operating Results

The consolidated loss for the year after income tax was \$5,512,070 (2009:\$2,610,253).

Review of Financial Condition

At the end of the 2010 financial year, cash levels were \$1,327,806 (2009:\$1,291,182). Assets increased to \$25,123,251 (2009: \$16,574,157) and equity increased to \$23,396,805 (2009: \$12,097,703).

CAPITAL RAISING / CAPITAL STRUCTURE

During the year the following capital raisings were completed:

- A 1 for 1 non renounceable Rights Issue was announced on 20 August 2009 and closed on 24 September 2009. This offer was priced at 2 cents per share and raised approximately \$7.23 million.
- In February 2010 a placement of 50m shares at \$0.045 raising \$2.25m (before costs) was completed.
- In May 2010 a placement of 71,707,231 shares at \$0.065 raising \$4,660,970 (before costs) was completed.
- On 18 May 2010 the Company issued 28,272,769 shares to Biskra Holdings in relation to the payment of a fee relating to the 2008 Block 31 extension completed in 2008.

Summary of share / options on issue – 30 June 2010

Post the issue of shares from the September 2010 Rights Issue, the Company has 1,511,434,681 listed shares on issue (886,220,391 on reporting date).

At the date of this report, the unissued ordinary shares of Jupiter Energy Limited under option and Performance Rights are as follows:

Date of Expiry	Exercise Price \$	Number under Option
31 Dec 2011	0.08	20,000,000
31 Dec 2012	0.185	3,000,000
31 Dec 2012	0.10	6,000,000
31 Dec 2012	0.15	4,000,000
		<u>33,000,000</u>

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Date of Expiry	Vesting Conditions	Number under Performance Rights
31 Dec 2010	\$100m market capitalisation / 150,000 barrels of oil	15,000,000
31 Dec 2011	\$200m market capitalisation / 300,000 barrels of oil	15,000,000
31 Dec 2012	\$300m market capitalisation / 500,000 barrels of oil	15,000,000
		<u>45,000,000</u>

OPERATING REVIEW

This section provides details on the operations of the past 12 months. The key operational event for the year was the drilling, completion and production testing of JPR's first operated well (J-50) on its Block 31 permit. Details of the J-50 well are outlined below as are details on the work carried out on the old 1969 North West Zhetybai-2 (NWZ-2) well.

Well Operations

NWZ-2

The well was drilled in 1969-1970, tested and abandoned. The Company commenced re-entry operations on NWZ-2 in October 2009 and subsequently perforated a 30m interval of Jurassic sandstone (Ju-XIII formation). The well was then suspended as focus moved onto the drilling of JPR's 2009 commitment well (J-50). Funding (or lack thereof) has meant that the Company has been hampered in its efforts to bring NWZ-2 onto production and the current plan is to commence a production test on NWZ-2 in the 4th quarter of 2010.

J-50

The J-50 well was spudded on December 29, 2009 as part of a turnkey drilling contract. The drilling operation took longer than anticipated and whilst the Company was protected from cost over runs due to the turnkey contract, the lessons learned from J-50 will be applied to the drilling of future wells. As announced in March 2010, the J-50 well was a commercial discovery and intersected 110m of Middle Triassic pay gross pay with 69m of nett pay and 360bpd production (during July 2010). Production testing took place for the maximum allowed period of 3 months and the Company is now in the process of applying for a Trial Production licence for J-50. Excellent geological and geophysical work in identifying this play was somewhat overshadowed by the poor drilling performance of the operation but the success of J-50 provides encouragement for the future prospectivity of Block 31.



J-51

The success of J-50 bodes well for J-51 which will be drilled in the same fault block. J-51 is expected to benefit from the lessons learned through the drilling of J-50.

J-52

The J-52 well has two primary reservoir objectives and, if successful, provides the potential to prove up an additional 22million barrels of oil (mmbo) of proven reserves in the shallower Jurassic horizons as well as confirm the eastern extent of the mapped East Akkar Middle Triassic structure. Successful evaluation of these reservoirs is critical to development planning for Block 31 and it is proposed to test the secondary objective prior to reaching the primary objective and total depth of the well.

Reserve and Resource Upgrades

During this financial year, the Company proved up a total of 80.4mmbo recoverable reserves and resources in Block 31 (58.2mmbo in the Middle Triassic reservoir and 22.2mmbo in the Jurassic reservoirs). In December 2009, the Company commissioned Senergy Oil and Gas (Senergy) to complete a review of the Middle Triassic reserves and resources in Block 31. Senergy released a Reserves Report in January 2010 that concluded the hydrocarbon potential included 8.6mmbo recoverable reserves and 12.2mmbo resource in the Middle Triassic reservoirs.

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In July 2010, JPR engaged Reservoir Evaluation Services (RES), a member of the AGR group, to remap the northern region of the permit and incorporate all the data gathered from drilling the J-50 well. As a result of this work RES identified an additional 37.4mmbo resource in an additional structure in the northern sector of Block 31. With the inclusion of this new northern structure, the total of independently mapped Middle Triassic resources and reserves is now 58.2mmbo recoverable.

The Company maintains the view that recoverable resources of 22.2mmbo is contained within two Jurassic age reservoirs (Ju-X and Ju-XIII). The Jurassic formations have been confirmed in NWZ-2 and the geologic model will be tested with the J-52 well.

With the combination of the figures provided by Senergy, RES and JPR, the Board believes that Block 31 now contains 80.4mmbo recoverable reserves and resources. The key focus over the next 6 to 9 months will be drilling the J-51 and J-52 wells which should see some of the value of Block 31 unlocked through an independent upgrade of reserves, from what are currently classed as resources, as well as increased production.

Relinquishment

As per its Contract with the Republic of Kazakhstan, JPR relinquished 50% of the area of Block 31 during the year. At the start of the year, Block 31 consisted of two separate working areas (western and eastern) which were separated by a permit managed by another local Kazakh oil company. As a result of the shooting of 3D seismic in 2008, the relinquished area was already considered non-prospective and included all of the eastern section of the permit as well as the north east portion of the western part of Block 31. Block 31 now encompasses an area of ~64km², all of which is covered by 3D seismic and deemed prospective.

The Company continues to review opportunities to extend Block 31 based on the availability of what is regarded as prospective exploration acreage in the area.

Production

J-50 was the success of the year. Initial performance tests of 220 barrels of oil per day (bopd) on 10mm choke were carried out before the well was stimulated and since that time J-50 has been producing at a consistent 360bopdduring much of the 90 day production test period. Produced oil has been sold into the domestic market at approximately USD22.50/bbl with the trader collecting the oil from the well site via truck.

In May2010 the first commercial transfer of produced oil from the facilities on Block 31 to the contractor's truck marked a milestone for the company which confirmed the successful transition of Jupiter Energy from an oil explorer to a bonafide producer. Whilst acknowledging the long drilling process, the Company credits the success of J-50 to all the Jupiter staff and contractors in Kazakhstan and Australia and acknowledges that this event signifies a great team effort through the exploration, development and sales process. With the lessons of J-50 now taken on board, the Company expects to begin to see future drilling success bring about the unlocking of value in the Block 31 permit.

Staffing

Expansion of the Kazakhstan staff continued throughout the year under the management of Erkin Svanbayev as the Company commenced field production operations on Block 31. Staff members now number 22 covering administration, exploration, geoscience and operations functions. The new staff taken on this year have brought a depth and understanding of operations and technical expertise that Jupiter had only been able to previously access through consulting and contracting agreements.

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SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Except as otherwise set out in this report, the Directors are unaware of any significant changes in the state of affairs or principal activities of the consolidated entity that occurred during the period under review.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

- On 13 July 2010, JPR announced that as a result of an independent review of Block 31, the total resources had been upgraded to 80 million barrels of oil.
- On 13 August 2010 JPR announced that the Waterford Group (Waterford) would become a cornerstone investor and planned to raise \$16.67million to fund drilling of J-51 and J-52. Details of the funding package is as follows:
 - Placement of 132.9m shares at 2.7cents to raise \$3.59million
 - 2 converting loans to raise \$3.91million that will convert into 144.8m shares at 2.7cents, subject to shareholder approval on 21 September 2010.
 - 1 for 3 non renounceable rights issue priced at 2.7cents to raise \$9.17m. The Rights Issue is fully underwritten by Waterford.
- On 18 August 2010, JPR lodged an Entitlement Issue Prospectus with ASIC. The offer was a non-renounceable entitlement issue of 1 share for every 3 shares held by shareholders registered at 5pm (WST) on 2 September 2010 at an issue price of \$A0.027 to raise up to approximately \$A9,172,381.

The funds raised from the Offer are planned to be used in accordance with the table set out below:

Drilling of 2010 Commitment Well (J-51)	\$6,000,000
Bringing of NWZ 2 Well onto Production	\$500,000
Extension of Block 31 Permit	\$500,000
Working Capital	\$1,827,838
Expenses of the Offer	\$344,543
Total	\$9,172,381

- On 16 September 2010 the obligation to Biskra was settled in full.
- On 21 September 2010, shareholders approved the following:
 - Placement of 132.9m shares to Waterford
 - Conversion of loans to 144.8m shares – 98.7shares issued to Waterford and 46.1 shares issued to Soyuzneftegas Limited.
 - Share issue of 7.7m shares to Pursuit Capital Pty Ltd
- The Rights Issue closed on 22 September with \$4.16m being taken up through shareholders entitlements. As the Rights Issue was fully underwritten the balance of \$5.01m will be taken up by the underwriter.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Directors will continue investing in oil exploration in the Republic of Kazakhstan.

Further information on likely developments in the operations of the consolidated entity has not been included in this report because at this stage the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. As Jupiter Energy Limited is listed on the Australian Stock Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Jupiter Energy Limited’s securities.

ENVIRONMENTAL REGULATION

The consolidated entity is involved in an ongoing commitment to achieving the standards of environmental performance. The basis of these standards has been set through a combination of both government and industry efforts. In Australia, Commonwealth and State regulations govern the entity’s operations and similar mechanisms govern international interests. The consolidated entity strives to comply not only with all government regulations, but also maintain industry standards. This is in line with current trends towards self-regulation in environmental monitoring.

To maintain these high standards a sound environmental management system has been developed. As part of this system, the past year has seen the continuance of an ongoing environmental monitoring programme. Various enquiries have been made of all activities. This monitoring programme will continue to expand as new regulations are implemented and adopted.

MEETINGS OF DIRECTORS

The number of meetings of the Directors held during the year and the number of meetings attended by each director was as follows:

	Board of Directors	
	Attended	Held
<i>Current Directors</i>		
G A Gander	10	10
A R Childs	10	10
E Svanbayev	9	10
D Thorpe	5	5

Committee membership

Due to the small number and geographical spread of the Directors, it was determined that the Board would undertake all of the duties of properly constituted Audit & Compliance and Remuneration Committees.

REMUNERATION REPORT (Audited)

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the three executives in the Parent and the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Parent and the Group.

Details of key management personnel (including the five highest executives of the Company and the Group)

(i) Directors

Geoff Gander	Chairman (Executive)
Erkin Svanbayev	Director (Executive)
David Thorpe	Managing Director
Andrew Childs	Director (Non-Executive)

(ii) Executives

Keith Martens	Technical Consultant
Sergey Sinistin	Business Development Manager
Scott Mison	CFO / Company Secretary

There were no other changes after reporting date and before the date the financial report was authorised for issue.

Remuneration Philosophy

The remuneration policy of the Group has been designed to align directors and executives objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long term incentives based on key performance areas affecting the economic entity's financial result. The board of the Group believes the remuneration policy to be appropriate in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- * The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the board after seeking professional advice from independent external consultants. The Company does not have a remuneration committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Remuneration Committee can be adequately handled by the full Board.
- * All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- * The Board reviews executive packages annually by reference to the company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Executives are entitled to participate in the employees share and option arrangements.

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The executive directors and executives receive a superannuation guarantee contribution required by the government which is currently 9%, and do not receive any other retirement benefits.

The remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black & Scholes methodology.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive director and senior executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Total remuneration for all Non-Executive Directors, is not to exceed \$170,000 per annum as disclosed in the IPO prospectus dated 23 September 2003. Fees for non-executive directors are not linked to performance of the company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The board considers advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a Director of the Company. Directors who are called upon to perform extra services beyond the director's ordinary duties may be paid additional fees for those services.

Non-executive directors have long been encouraged by the board to hold shares in the Company. It is considered good governance for directors to have a stake in the Company on whose board he or she sits.

Executive Director Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group and so as to:

- reward executives for Company, business unit and individual performance;
- align the interests of executives with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board obtains independent advice from external consultants on market levels of remuneration for comparable executive roles. It is the Board's policy that employment contracts are entered into with the Chief Executive Officer and all senior executives.

Fixed Remuneration

The fixed remuneration of executives is comprised of a base salary and superannuation. The fixed remuneration of executives is reviewed annually.

Variable remuneration – Short Term Incentives (STI)

The Group operates a STI program that is available to executives and awards cash bonus subject to the attainment of clearly defined Group and individual measures.

Actual STI payments awarded to each executive depended on the extent to which specific targets are met. The targets consist of a number of key performance indicators (KPIs) covering both financial and non-financial, corporate and individual measures of performance.

STI awards for 2010 financial year

The board considered the STI payments for the 2010 financial year and was paid in May 2010. The maximum STI cash bonus available for 2010 was \$135,000 for employees only in Kazakhstan. The bonus was determined and paid at the discretion of the directors.

Variable Remuneration – Long Term Incentives (LTI)

Objective

The objectives of long term incentives are to:

- align executives remuneration with the creation of shareholder wealth;
- recognise the ability and efforts of the directors, employees and consultants of the Company who have contributed to the success of the Company and to provide them with rewards where deemed appropriate;
- provide an incentive to the directors, employees and consultants to achieve the long term objectives of the Company and improve the performance of the Company; and
- attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company and its directors, employees and consultants.

Structure

Long term incentives granted to senior executives are delivered in the form of options, issued under the Employee Share and Option Plan and Performance Rights, issued under the Performance Rights Plan.

LTI awards for 2010 financial year

Options were granted to a number of executives on 25 November 2009. Details in respect of the award are provided in Table 3. Options are issued at the discretion of the board.

Performance Rights were granted to a number of executives on 25 November 2009 and 9 April 2010. Details in respect of the award are provided in Table 4. Performance Rights are issued at the discretion of the board.

None of the directors' shareholdings in the Company are subject to hedging. The company has adopted a policy that strictly prohibits directors from hedging their securities in the Company. Each director must disclose any changes at each board meeting.

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Company Performance

It is not possible at this time to evaluate the Company's financial performance using generally accepted measures such as profitability, total shareholder return or peer company comparison as the Company is at a very early stage in the implementation of the corporate strategy. This assessment will be developed over the next few years.

The following information provides a summary of the Company's financial performance for the last five years:

	2010	2009	2008	2007	2006
	\$	\$	\$	\$	\$
Loss before income tax	(5,512,070)	(2,610,253)	(2,533,868)	(3,868,571)	(2,216,888)
Earnings per share (cents)	(0.82)	(0.72)	(0.76)	(3.12)	(3.23)
Last sale price at Balance Date	0.034	0.024	0.081	0.199	0.094
Market capitalisation	30.1m	8.7m	27.6m	46.9m	7.6m

Relationship of Reward and Performance

The value of options and performance rights will represent a significant portion of an executive's salary package. The ultimate value to the executives of the options depends on the share price of Jupiter Energy. The share price is the key performance criteria for the long term incentive as the realised value arising from options issued is dependent upon an increase in the share price to above the exercise price of the options.

JUPITER ENERGY LIMITED – 2010 ANNUAL REPORT

Details of remuneration (Audited)

Remuneration of Directors and Executives

Table 1: Remuneration for the year ended 30 June 2010

Name	Short-term benefits			Post-employment benefits	Share-based payment	Total \$	Remuneration consisting of options %	Performance related %
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Options / Performance rights \$			
Non-executive director								
A Childs	52,500	-	-	4,725	123,375	180,600	68.31	68.31
	52,500	-	-	4,725	123,375	180,600	68.31	68.31
Executive directors								
G Gander	349,795	-	-	31,356	278,716	659,867	42.24	42.24
D Thorpe	312,645	-	-	-	158,140	470,785	33.59	33.59
E Svanbayev	237,973	23,550	-	-	402,041	663,564	60.44	64.14
Other key management personnel								
K Martens	120,600	-	-	-	327,790	448,390	73.10	73.10
S Sinistin	64,122	5,300	-	-	295,125	364,547	80.96	82.41
S Mison	142,465	-	-	-	16,332	158,797	10.29	10.29
Totals	1,280,100	28,850	-	36,081	1,601,519	2,946,550		

Table 2: Remuneration for the year ended 30 June 2009

Name	Short-term benefits			Post-employment benefits	Share-based payment	Total*	Remuneration consisting of options %	Performance related %
	Cash salary and fees \$	Cash bonus \$	Non-monetary benefits \$	Super-annuation \$	Options*			
Non-executive director								
A Childs	49,500	-	-	4,455	-	53,955	-	-
	49,500	-	-	4,455	-	53,955	-	-
Executive directors								
G A Gander	205,000	-	-	18,450	-	223,450	-	-
E Svanbayev	167,326	-	-	-	85,000	252,326	33.69	33.69
Other key management personnel								
O Udsen (Country Manager) resigned 26 September 2008	115,194	-	-	-	-	115,194	-	-
K Martens	183,600	-	-	-	532,706	716,306	74.37	74.37
S Sinistin	52,337	-	-	-	491,875	544,212	90.38	90.38
S Mison	75,750	-	-	5,738	20,415	101,903	20.03	20.03
Totals	848,707	-	-	28,643	1,129,996	2,007,346		

*options and total have changed to correct amortisation expense relating to options in line with vesting period.

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Table 3: Compensation options: Granted and vested during the year ended 30 June 2010

	Granted		Terms & Conditions for each Grant				Vested	
	Number	Grant Date	Fair Value per option at grant date \$	Exercise price per option \$	Expiry Date	First Exercise Date	Number	%
Directors								
A Childs	3,000,000	25-Nov-09	\$0.044	\$0.10	31 Dec 12	25 Nov 10	-	-
	2,000,000	25-Nov-09	\$0.039	\$0.15	31 Dec 12	25 Nov 10	-	-
E Svanbayev	3,000,000	25-Nov-09	\$0.044	\$0.10	31 Dec 12	25 Nov 10	-	-
	2,000,000	25-Nov-09	\$0.039	\$0.15	31 Dec 12	25 Nov 10	-	-
Executives								
K Martens	-	-	-	-	-	-	8,166,000	100%
S Sinistin	-	-	-	-	-	-	7,500,000	100%
S Mison	-	-	-	-	-	-	333,333	100%
Total	10,000,000						15,999,333	

During the year, the terms and conditions changed for 3,000,000 options, as a result of the 1 for 1 rights issue. The exercise price was change from \$0.20 to \$0.185 per option. All other terms and conditions remained the same.

Table 4: Compensation performance rights: Granted and vested during the year ended 30 June 2010

	Granted		Terms & Conditions for each Grant			Vested	
	Number	Grant Date	Fair Value per right at grant date \$	Vesting conditions	Expiry Date	Number	%
Directors							
G Gander	5,000,000	25-Nov-09	\$0.05197	\$100m market cap or 150,000 cumulative barrels of oil	31 Dec 10	-	-
	5,000,000	25-Nov-09	\$0.05118	\$200m market cap or 300,000 cumulative barrels of oil	31 Dec 11	-	-
	5,000,000	25-Nov-09	\$0.05207	\$300m market cap or 500,000 cumulative barrels of oil	31 Dec 12	-	-
E Svanbayev	5,000,000	25-Nov-09	\$0.05197	\$100m market cap or 150,000 cumulative barrels of oil	31 Dec 10	-	-
	5,000,000	25-Nov-09	\$0.05118	\$200m market cap or 300,000 cumulative barrels of oil	31 Dec 11	-	-
	5,000,000	25-Nov-09	\$0.05207	\$300m market cap or 500,000 cumulative barrels of oil	31 Dec 12	-	-
D Thorpe	5,000,000	9 April 10	\$0.05361	\$100m market cap or 150,000 cumulative barrels of oil	31 Dec 10	-	-
	5,000,000	9 April 10	\$0.05474	\$200m market cap or 300,000 cumulative barrels of oil	31 Dec 11	-	-
	5,000,000	9 April 10	\$0.05543	\$300m market cap or 500,000 cumulative barrels of oil	31 Dec 12	-	-
Total	45,000,000						

Share issued on Exercise of Compensation Options

There were no shares issued on the exercise of compensation options during the financial years ended 30 June 2010 or 30 June 2009.

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Service agreements

Remuneration and other terms of employment for the Executive Chairman and Managing Director have been formalised in service agreements. The main provisions of the agreements are set out below.

Geoff Gander, Executive Chairman (Effective – 1 November 2009)

Base Terms

- This agreement is effective from 1 November 2009 and will have a minimum term of 3 years
- Base Salary of US\$250,000 plus the current Superannuation Levy of 9%.
- Executive Director Fees of US\$50,000 per annum
- A signing bonus of A\$60,000. This amount is equivalent to the salary sacrifice made by Mr Gander for the period December 2008 to November 2009.
- Accommodation and motor vehicle allowance, if located in the United Kingdom, to the value of US\$6,000 per calendar month.
- Mr Gander be issued, subject to shareholder approval, 15 million performance shares, which shall vest and be exercisable in accordance with the terms and conditions in the following schedule.

Number	Vesting Conditions	Vesting Expiry Date
5,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A100 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 150,000 barrels of oil – whichever is the sooner.	31.12.2010
5,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A200 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 300,000 barrels of oil – whichever is the sooner.	31.12.2011
5,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A300 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 500,000 barrels of oil – whichever is the sooner.	31.12.2012

The termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of Performance Rights
Employer - initiated termination with reason	1 or 3 months	1 or 3 months	Unvested rights forfeited
Employer - initiated termination without reason	3 months	6 months	All rights vest
Termination for serious misconduct	None	None	Unvested rights forfeited
Employee – initiated termination	1 month	None	Unvested rights forfeited

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David Thorpe, Managing Director (Effective – 1 January 2010)

Base Terms

- This agreement is effective from 1 January 2010 and will have a minimum term of 12 months
- Executive Director Fees of \$32,000 on a monthly basis
- Mr Thorpe be issued, subject to shareholder approval, 15 million performance shares, which shall vest and be exercisable in accordance with the terms and conditions in the following schedule.

Number	Vesting Conditions	Vesting Expiry Date
5,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A100 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 150,000 barrels of oil – whichever is the sooner.	31.12.2010
5,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A200 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 300,000 barrels of oil – whichever is the sooner.	31.12.2011
5,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A300 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 500,000 barrels of oil – whichever is the sooner.	31.12.2012

The termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of Performance Rights
Employer - initiated termination with reason	1 or 3 months	1 or 3 months	Unvested rights forfeited
Employer - initiated termination without reason	3 months	6 months	All rights vest
Termination for serious misconduct	None	None	Unvested rights forfeited
Employee – initiated termination	1 month	None	Unvested rights forfeited

End of Remuneration Report

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INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company has entered into Deeds of Indemnity with the Directors, the Managing Director and the Company Secretary, indemnifying them against certain liabilities and costs to the extent permitted by law.

The Company has also agreed to pay a premium in respect of a contract insuring the Directors and Officers of the Company. Full details of the cover and premium are not disclosed as the insurance policy prohibits the disclosure.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Jupiter Energy Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 20 of this annual report.

AUDITOR INDEPENDENCE

The directors received the declaration included on page 26 of this annual report from the auditor of Jupiter Energy Limited.

NON-AUDIT SERVICES

The following non-audit services were provided by the Group's auditor, Ernst & Young. The Directors are satisfied the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not comprised.

Ernst & Young received or are due to receive the following amounts for the provision of non-audit services:

Accounting services	\$ 20,600 <hr/> 20,600 <hr/>
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This report has been made in accordance with a resolution of the Directors.



G A Gander

Director

Perth, Western Australia

30 September 2010

CORPORATE GOVERNANCE STATEMENT

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Jupiter adhere to strict principles of corporate governance.

The Board of Directors of JupiterEnergy Limited is responsible for the overall corporate governance of the consolidated entity, guiding and monitoring the business and affairs of Jupiter on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Company's corporate governance principles and policies are structured with reference to the Corporate Governance Councils best practice recommendations, which are as follows:

- Principle 1. Lay solid foundations for management and oversight
- Principle 2. Structure the Board to add value
- Principle 3. Promote ethical and responsible decision making
- Principle 4. Safeguard integrity in financial reporting
- Principle 5. Make timely and balanced disclosure
- Principle 6. Respect the rights of shareholders
- Principle 7. Recognise and manage risk
- Principle 8. Remunerate fairly and responsibly

The Board's Corporate Governance Charter includes procedures for compliance with the ASX Listing Rule continuous disclosure requirements, trading in the Company's securities, the management of risk, and a Code of Conduct. Jupiter's corporate governance practices were in place throughout the year ended 30 June 2010.

BOARD OF DIRECTORS

Role of the Board

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- To set the strategic direction for the Company and monitor progress of those strategies;
- Establish policies appropriate for the Company;
- Monitor the performance of the Company, the Board and management;
- Approve the business plan and work programmes and budgets;
- Authorise and monitor investment and strategic commitments;
- Review and ratify systems for health, safety and environmental management; risk and internal control; codes of conduct and regulatory compliance;
- Report to shareholders, including but not limited to, the Financial Statements of the Company; and
- Take responsibility for corporate governance.

Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations.

The names of Directors of the Company in office at the date of this statement are set out in the Directors' Report. Information regarding Directors' experience and responsibilities will be included in the Directors' Report section of the Annual Report.

The number of Directors is specified in the Constitution of the Company as a minimum of three up to a maximum of ten.

The preferred skills and experiences for a Director of the Company include:

- Exploration and Development;
- Production operations;
- Business Development; and
- Public Company administration.

Chairman of the Board

The Chairman of the Board should be a Non-Executive Director and the Chairman will be elected by the Directors. Mr Geoff Gander, however is an executive chairman and is not independent. Given his skills, experience and knowledge of the Company, the board considers that it is appropriate for him to be Chairman.

Independent Directors

The Board considers that a Director is independent if that Director complies with the following criteria:

- Apart from Director's fees and shareholding, independent Directors should not have any business dealings which could materially affect their independent judgment;
- Must not have been in an Executive capacity in the Company in the last 3 years;
- Must not have been in an advisory capacity to the Company in the last 3 years;
- Must not be a significant customer or supplier for the Company;
- Must not be appointed through a special relationship with a board member;
- Must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;
- Must not hold conflicting cross Directorships; and
- Must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the Corporations Act).

Using the ASX Best Practice Recommendations on the assessment of the independence of Directors. The Board considers that of a total of four Directors there is only one Director considered to be independent, Mr Andrew Childs.

Mr Geoff Gander is an Executive Chairman of the Company and is not considered to be independent. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr Erkin Svanbayev is an Executive Director of the Company and is not considered to be independent. However, his experience, especially within Kazakhstan makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Mr David Thorpe is Managing Director of the Company and is not considered to be independent. However, his experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board.

Retirement and Rotation of Directors

Retirement and rotation of Directors are governed by the Corporations Act 2001 and the Constitution of the Company. Each year one third Directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received the advice is to be made immediately available to all board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Executive Director and/or Company Secretary/Financial Controller who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent Director without further reference to senior managers of the Company.

Insurance

Directors and officers insurance for Directors will be arranged by the Company at Company expense.

Share Ownership

Directors are encouraged to own Company shares.

Board Meetings

The following points identify the frequency of Board Meetings and the extent of reporting from management at the meetings:

- A minimum of four meetings are to be held per year;
- Other meetings will be held as required, meetings can be held by telephone link; and
- Information provided to the Board includes all material information on: operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessment, new venture proposals, and health, safety and environmental reports.

The number of Directors' meetings and the number of meetings attended by each of the Directors of the Company during the financial year are set out in the Directors' Report.

Board Performance Review

The Board intends to commence an evaluation of its performance annually.

There was no evaluation conducted during the financial year.

Other Areas for Board Review

- Reporting to shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market; and
- Insurance, both corporate and joint venture related insurances.

Board Committees

Audit Committee

The Company does not have an audit committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by the full Board.

The CEO (or equivalent) and the CFO (or equivalent) declare in writing to the Board that the Company's financial statements for the year ended 30 June 2010 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This representation is made by the CEO (or equivalent) and the CFO (or equivalent) prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

Jupiter Energy Limited has requested the external auditors to attend the annual general meeting to be available to answer shareholders questions regarding the audit.

Nomination Committee

The Board of Directors of the Company does not have a nomination committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.

Remuneration Committee

The Company does not have a remuneration committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a remuneration committee can be adequately handled by the full Board.

Remuneration levels for Directors, Secretaries, Senior Executives of the Company, and relevant group Executives of the consolidated entity ("the Directors and Senior Executives") are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives.

The remuneration structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the directors and senior executives
- the Directors and Senior Executives ability to control the relevant segment/s' performance
- the consolidated entity's performance including:
 - the consolidated entity's earnings
 - the growth in share price and returns on shareholder wealth
- the amount of incentives within each Directors and Senior Executives remuneration

For details of remuneration paid to Directors and officers for the financial year please refer to the Directors' Report on page 15.

Risk Management

The risks involved in oil and gas exploration Company and the specific uncertainties for the Company continue to be regularly monitored and the full Board of the Company meets on an annual basis to formally review such risks. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

The potential exposures with running the Company have been managed by the Board and Company Secretary who have significant broad-ranging industry experience, work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. The CEO (or equivalent) and the CFO (or equivalent) declare in writing to the Board that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. This representation is made by the CEO (or equivalent) and CFO (or equivalent) prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management.

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct

The goal of establishing the Company as a significant Australian-based petroleum exploration and production Company is underpinned by its core values of honesty, integrity, common sense and respect for people. The Company desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for Directors and employees of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this code of conduct which provides principles to which Directors and employees should be familiar and to which they are expected to adhere and advocate.

It is the responsibility of the Board to ensure the Company's performance under this Code and for its regular review.

Trading in Company Securities by Directors, officers and employees

Trading of shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a Director, officer or an employee can deal in Company shares. The policy prohibits trading in the Company's securities whilst the Directors, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report on page 4.

SHAREHOLDER COMMUNICATION

The Board aims to ensure that shareholders and investors have equal access to the Company's information.

The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. This disclosure policy includes processes for the identification of matters that may have material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website.

The Company also has a strategy to promote effective communication with shareholders and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

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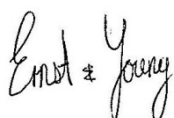
- Conflicts of interest and related party transactions;
- Executive remuneration;
- The grant of options and details of Share Option Plans;
- The process for performance evaluation of the Board, its committees, individual Directors and key managers;
- The link between remuneration paid to Directors and Executives and corporate performance; and
- Shorter, more comprehensible notices of meetings.

The following information is communicated to shareholders:

- The Annual Report and notices of meetings of shareholders;
- Quarterly reports reviewing the operations, activities and financial position of the Company;
- All documents that are released to the ASX are made available on the Company's website; and
- All other information on the Company's website is updated on an ongoing basis.

Auditor's Independence Declaration to the Directors of Jupiter Energy Limited

In relation to our audit of the financial report of Jupiter Energy Limited for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'R J Curtin'.

R J Curtin
Partner
Perth
30 September 2010

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2010

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Consolidated	
		2010 \$	2009 \$
Other revenues and income			
- Interest income		25,954	144,076
- Other income		15,895	49,420
		<u>41,849</u>	<u>193,496</u>
Administration expenses		1,649,807	1,100,567
Consulting fees		475,255	334,272
Depreciation expenses		26,609	12,570
Directors fees		670,861	453,863
Legal fees		185,441	171,997
Occupancy expenses		157,736	105,537
Share based payments		2,242,009	446,246
Loss on derivative		247,557	-
Net foreign exchange (gain) / loss		(101,356)	178,697
Total expenses		<u>5,553,919</u>	<u>2,803,749</u>
Loss before tax		(5,512,070)	(2,610,253)
Income tax expense	4	-	-
Loss after income tax		<u>(5,512,070)</u>	<u>(2,610,253)</u>
Other comprehensive income net of tax			
Foreign currency translation		<u>(391,371)</u>	<u>(745,322)</u>
Total comprehensive loss for the period		<u><u>(5,903,441)</u></u>	<u><u>(3,355,575)</u></u>
Earnings per share for loss attributable to the ordinary equity holders of the Company:			
Basic loss per share (cents)	20	(0.82)	(0.72)

The consolidated statement of comprehensive income are to be read in conjunction with the notes of the financial statements

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	5	1,327,806	1,291,183
Trade and other receivables	6	973,543	50,846
Other current assets	8	148,906	3,690
Inventories	7	87,497	-
Total Current Assets		<u>2,537,751</u>	<u>1,345,719</u>
Non Current Assets			
Plant and equipment	9	144,140	24,433
Exploration and evaluation expenditure	10	22,282,954	15,177,137
Other financial assets	11	158,405	26,868
Total Non Current Assets		<u>22,585,499</u>	<u>15,228,438</u>
Total Assets		<u>25,123,251</u>	<u>16,574,157</u>
Current Liabilities			
Payables	12	868,402	4,476,454
Other financial liabilities	13	732,369	-
Provisions	14	39,962	-
Total Current Liabilities		<u>1,640,733</u>	<u>4,476,454</u>
Non-current Liabilities			
Provisions	14	85,713	-
Total Non-Current Liabilities		<u>85,713</u>	<u>-</u>
Total Liabilities		<u>1,726,446</u>	<u>4,476,454</u>
Net Assets		<u>23,396,805</u>	<u>12,097,703</u>
Equity			
Contributed equity	15	44,681,247	29,720,713
Share based payment reserve	16	3,164,908	922,899
Foreign currency translation reserve	16	(1,141,302)	(749,931)
Accumulated losses		(23,308,048)	(17,795,978)
Total Equity		<u>23,396,805</u>	<u>12,097,703</u>

The consolidated statement of financial position are to be read in conjunction with the notes of the financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010**

	Note	Consolidated	
		2010	2009
		\$	\$
Cash flow from operating activities			
Receipts from customers		15,895	49,420
Payments to suppliers and employees		(3,408,347)	(2,952,443)
Interest received		25,954	144,075
Net cash flows (used in) operating activities		<u>25,954</u>	<u>144,075</u>
	23	<u>(3,366,498)</u>	<u>(2,758,948)</u>
Cash flows from investing activities			
Payment for oil field extension		(2,295,423)	-
Payments for exploration expenditure		(7,839,623)	(2,372,403)
Payments for plant and equipment		(141,934)	(13,270)
Net Cash flows (used in) investing activities		<u>(10,276,980)</u>	<u>(2,385,673)</u>
Cash flows from financing activities			
Proceeds from issues of shares		14,148,174	605,120
Transactions cost from issue of shares		(396,076)	-
Net cash flows from financing activities		<u>13,752,098</u>	<u>605,120</u>
Net increase/(decrease) in cash held		108,620	(4,539,501)
Effects of exchange rate changes		(71,997)	(178,697)
Cash at beginning of the year		1,291,183	6,009,381
Cash at end of the year	5	<u>1,327,806</u>	<u>1,291,183</u>

The statement of cash flows are to be read in conjunction with the notes of the financial statements.

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	<i>Issued capital</i>	<i>Share Based Payment Reserve</i>	<i>Foreign Currency Translation Reserve</i>	<i>Accumulated Losses</i>	<i>Total</i>
	\$	\$	\$	\$	\$
CONSOLIDATED					
At 1 July 2008	29,715,593	476,653	(4,609)	(15,185,725)	15,001,912
Loss for the period				(2,610,253)	(2,610,253)
Other comprehensive income	-	-	(745,322)	-	(745,322)
Total comprehensive income	-	-	(749,931)	(17,795,978)	11,646,337
Transactions by owners recorded directly in equity:					
Share based payments	-	446,246	-	-	446,246
Shares issued					
- Ordinary shares	5,120	-	-	-	5,120
- Costs of issue	-	-	-	-	-
At 30 June 2009	29,720,713	922,899	(749,931)	(17,795,978)	12,097,703
Loss for the period	-	-	-	(5,512,070)	(5,512,070)
Other comprehensive income	-	-	(391,371)	-	(391,371)
Total comprehensive income	-	-	(1,141,302)	(23,308,048)	6,194,262
Transactions by owners recorded directly in equity:					
Share based payments	-	2,242,009	-	-	2,242,009
Shares issued					
- Ordinary shares	15,952,264	-	-	-	15,952,264
- Costs of issue	(991,730)	-	-	-	(991,730)
At 30 June 2010	44,681,247	3,164,908	(1,141,302)	(23,308,048)	23,396,805

The statements of changes in equity are to be read in conjunction with the notes of the financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1 CORPORATE INFORMATION

The financial report of Jupiter Energy Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 29 September 2010.

Jupiter Energy Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The nature of the operations and principal activities of the Group are described in the Directors Report on pages 7 and 8.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis. The financial report is presented in Australian dollars.

(b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for accounting reporting periods beginning on or before 1 July 2009. These Standards and Interpretations had no impact on the financial position and performance of the Group.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2010. These are outlined in the following table.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	<p>The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:</p> <p>The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.</p> <p>The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.</p> <p>The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.</p> <p>The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity:</p> <ul style="list-style-type: none"> ▶ has primary responsibility for providing the goods or service; ▶ has inventory risk; ▶ has discretion in establishing prices; <p>bears the credit risk.</p> <p>The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.</p> <p>The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.</p> <p>The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.</p>	1 January 2010	The group has not yet determined the financial impact of this change.	1 July 2010
AASB 2009-8	Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	<p>This Standard makes amendments to Australian Accounting Standard AASB 2 <i>Share-based Payment</i> and supersedes Interpretation 8 <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i>.</p> <p>The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.</p> <p>The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.</p>	1 January 2010	Amendments to AASB 2 are not expected to have an impact on the Group's financial statements	1 July 2010

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement (AASB 139 Financial Instruments: Recognition and Measurement).</p> <p>These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes from AASB 139 are described below.</p> <p>(a) Financial assets are classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows. This replaces the numerous categories of financial assets in AASB 139, each of which had its own classification criteria.</p> <p>(b) AASB 9 allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>(c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p>	1 January 2013	The adoption to AASB 9 are not expected to have an impact on the Group's financial statements	1 July 2013
AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	<p>The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:</p> <ul style="list-style-type: none"> ▶ two categories for financial assets being amortised cost or fair value ▶ removal of the requirement to separate embedded derivatives in financial assets ▶ strict requirements to determine which financial assets can be classified as amortised cost or fair value, Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows ▶ an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition ▶ reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes ▶ changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income 	1 January 2013	The amendments to AASB 9 are not expected to have an impact on the Group's financial statements	1 July 2013

JUPITER ENERGY LIMITED – 2010 ANNUAL REPORT

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 124 (Revised)	Related Party Disclosures (December 2009)	<p>The revised AASB 124 simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, including:</p> <ul style="list-style-type: none"> (a) the definition now identifies a subsidiary and an associate with the same investor as related parties of each other; (b) entities significantly influenced by one person and entities significantly influenced by a close member of the family of that person are no longer related parties of each other; and (c) the definition now identifies that, whenever a person or entity has both joint control over a second entity and joint control or significant influence over a third party, the second and third entities are related to each other. <p>A partial exemption is also provided from the disclosure requirements for government-related entities. Entities that are related by virtue of being controlled by the same government can provide reduced related party disclosures.</p>	1 January 2011	The amendments to AASB 124 are not expected to have an impact on the Group's financial statements	1 July 2011
AASB 2009-12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	<p>This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.</p> <p>In particular, it amends AASB 8 <i>Operating Segments</i> to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.</p>	1 January 2011	The amendments to are not expected to have an impact on the Group's financial statements	1 July 2011
AASB 2009-13	Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1]	This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.	1 July 2010	The amendments to AASB 1 are not expected to have an impact on the Group's financial statements	1 July 2010
AASB 2010-2	Amendments to Australian Accounting Standards arising from reduced disclosure requirements	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	The adoption of to AASB 1053 are not expected to have an impact on the Group's financial statements	1 July 2013
AASB 2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	<p>Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.</p> <p>Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.</p> <p>Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.</p> <p>Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.</p>	1 July 2010	The group has not yet determined the financial impact of this change.	1 July 2010

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	<p>Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.</p> <p>Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.</p> <p>Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions</p> <p>Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.</p>	1 January 2011	The group has not yet determined the financial impact of this change.	1 July 2011
Interpretation 19	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	<p>This interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid” in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that financial liability.</p> <p>The interpretation states that equity instruments issued in a debt for equity swap should be measured at the fair value of the equity instruments issued, if this can be determined reliably. If the fair value of the equity instruments issued is not reliably determinable, the equity instruments should be measured by reference to the fair value of the financial liability extinguished as of the date of extinguishment.</p>	1 July 2010	The amendments are not expected to have an impact on the Group’s financial statements	1 July 2010

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Jupiter Energy Limited and its subsidiaries as at 30 June each year ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Jupiter Energy Limited has control.

(d) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in note 18.

Exploration and evaluation

The Group's accounting policy for exploration and evaluation is set out in note 1(g). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves may be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the Group's policy, management concludes that the Group is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

Provision for restoration

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(e) Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalization when the cost of replacing the part is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 10 years

The assets' residual values, useful lives and amortization methods are reviews, and adjusted if appropriate, at each financial year end.

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

(f) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs of evaluation, seismic and unsuccessful exploration in the area of interest are expressed as incurred even if activities in this area of interest are continuing. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(g) Impairment of assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(h) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(i) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less any estimated selling costs.

Cost includes those costs incurred in bringing each component of inventory to its present location and condition.

(k) Trade and other payables

Trade payables and other payables are carried at amortised costs and due to their short-term nature are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) Share-based payment transactions

Share-based compensation benefits are provided to directors and executives.

Options

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the vesting period during which the directors and/or executives becomes entitled to the options.

The fair value at grant date is determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(l) Share-based payment transactions (continued)

Performance Rights

There is a Jupiter Energy Limited Performance Rights Plan (“PRP”). The PRP enables the Company to provide its executives with long term incentives which create a link between the delivery of value to shareholders, financial performance, oil production and rewarding and retaining the executives.

The cost of these performance rights is measured by reference to the fair value at the date at which they are granted. The fair value is determined using a Black-Scholes methodology, which considers the incorporation of market based hurdles.

(m) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset. All revenue is stated net of the amount of goods and services tax (GST).

Sales revenue

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be measured reliably.

Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(n) Income tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(o) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee leave benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Restoration

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(r) Foreign Currency Transactions and Balances

(i) Functional and presentation currency

Both the functional and presentation currency of Jupiter Energy Limited and its Australian subsidiaries is Australian dollars (\$). The Singapore subsidiaries' functional currency is United States Dollars which is translated to the presentation currency (see below for consolidated reporting).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies' functional currency to presentation currency

The results of the Singapore subsidiaries are translated into Australian Dollars (presentation currency) as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity

On consolidation, exchange differences arising from the translation of the net investment in Singapore subsidiaries are taken to the foreign currency translation reserve. If a Singapore subsidiary was sold, the proportionate share of exchange differences would be transferred out of equity and recognised in the statement of comprehensive income.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, cash and short-term deposits.

Risk Exposures and Responses

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the board. The board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

Interest rate risk

The Group has no exposure to market risk for changes in interest rates as it has no short or long-term debt obligations.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated	
	2010	2009
	\$	\$
Financial Assets		
Cash and cash equivalents	1,070,781	1,291,183
Net exposure	1,070,781	1,291,183

The following table summarises the sensitivity of the fair value of the financial instruments held at balance date, if interest rates had moved, with all other variables held constant, post tax profit and equity would have been affected as follows:

Post – tax gain / (loss)

+ 1%	11,810	36,502
-1%	(11,810)	(36,502)

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating entity in currencies other than the functional currency.

At balance date, the Group had the following exposure to United States Dollars (USD), Kazakhstan Tenge (KZT) and Singapore Dollars (SGD) foreign currency that is not designated in cash flow hedges:

Financial Assets		
Cash and cash equivalents		
- USD	237,556	1,257,187
- KZT	246,830	7
- SGD	10,200	21,919
Net exposure	494,586	1,279,113

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the Australian dollar to the United States dollar and Kazakhstan Tenge, with all other variables held constant. The 5% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 periods.

Post – tax gain / (loss)	Consolidated	
	2010	2009
	\$	\$
USD		
+5%	12,234	60,910
-5%	(13,522)	(67,322)
Tenge		
+5%	11,731	-
-5%	(12,966)	-

At balance date, the Group had the following exposure to United States Dollars (USD) foreign currency that is not designated in cash flow hedges:

	Consolidated	
	2010	2009
	\$	\$
Financial Assets		
Trade and other receivables	98,446	-
	<u>98,446</u>	<u>-</u>
Financial Liabilities		
Trade and other payables	(1,526,033)	(4,288,350)
	<u>(1,526,033)</u>	<u>(4,288,350)</u>
Net exposure	<u>(1,427,587)</u>	<u>(4,288,350)</u>

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the Australian dollar to the US dollar, with all other variables held constant. The 5% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 periods.

Post – tax gain / (loss)	Consolidated	
	2010	2009
	\$	\$
+5%	72,668	204,207
-5%	(80,318)	(225,703)

Credit risk

Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

Part of the Group's receivables balances are represented by GST input tax credits, which are received on a quarterly basis, and deposits held in trust in respect of leases for office premises.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

There are no significant concentrations of credit risk within the Group.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont.)

Fair value

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The level 1 method is used in calculating the fair value of the financial liability, as it is a quoted price in an active market.

NOTE 4. TAXATION

Prima facie income tax on operating (loss) is reconciled to the income tax benefit provided in the financial statements as follows:

	Consolidated	
	2010	2009
	\$	\$
Prima facie income tax benefit on operating (loss) at the Australian tax rate of 30% (2009:30%)	(1,653,621)	(783,077)
Non deductible expenditure:		
- Effect of tax rates in foreign jurisdictions	113,389	-
- Share Based payments	622,246	133,874
- Administration expenses	146,891	207,059
Temporary differences and tax losses not bought to account as a deferred tax asset	771,095	442,144
Income tax expense	-	-

Deferred Income Tax

Deferred income tax at 30 June relates to the following:

Consolidated

<i>Deferred tax liabilities</i>	-	-
<i>Deferred tax assets</i>		
Unrealised FX loss	168,727	-
Share issue costs	143,198	223,718
Revenue tax losses – Australia	4,557,215	3,863,485
Deferred tax assets not recognised	(4,869,140)	(4,087,203)
Deferred tax (income)/expense	-	-
Net deferred tax recognised in Balance Sheet	-	-

The Consolidated Group has tax losses of \$4,869,140 (2009: \$4,087,203) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose.

The potential deferred tax asset will only be realised if:

- (a) The relevant Company derives future assessable income of a nature and an amount sufficient to enable the asset to be realised, or the asset can be utilised by another Company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- (b) The relevant Company and/or consolidated entity continues to comply with the conditions for deductibility imposed by the Law; and
- (c) No changes in tax legislation adversely affect the relevant Company and/or consolidated entity in realising the asset.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated	
	2010	2009
	\$	\$
NOTE 5. CASH ASSETS		
Cash at bank and in hand	1,327,806	1,291,183
	<u>1,327,806</u>	<u>1,291,183</u>

The bank accounts are at call and pay interest at a weighted average interest rate of 1.98% at 30 June 2010 (2009: 2.48%)

NOTE 6. RECEIVABLES

Trade receivables	98,446	-
Other debtors	875,097	50,846
	<u>973,543</u>	<u>50,846</u>

The Group's exposure to credit and currency risks is disclosed in Note 3.

At 30 June, the aging analysis of receivables is as follows:

	Total	0 – 30 Days	31 – 60 days	61 - 90 days	90+ days
2010	973,543	198,424	130,935	368,276	275,908
2009	50,846	50,846	-	-	-

NOTE 7. INVENTORIES

Raw materials and consumables	87,497	-
	<u>87,497</u>	<u>-</u>

NOTE 8. OTHER CURRENT ASSETS

Prepayment	148,906	3,690
	<u>148,906</u>	<u>3,690</u>

NOTE 9. PLANT AND EQUIPMENT

Plant and equipment	278,346	132,029
Accumulated depreciation	(134,206)	(107,597)
	<u>144,140</u>	<u>24,432</u>

Movements during the Year

Plant and Equipment

Carrying amount at beginning of year	24,432	23,733
Additions	141,934	13,269
Disposals	-	-
Depreciation	(26,609)	(12,570)
Net exchange difference	4,383	-
Carrying amount at end of year	<u>144,140</u>	<u>24,432</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated	
	2010	2009
	\$	\$
NOTE 10. EXPLORATION & EVALUATION EXPENDITURE		
Exploration expenditure carried forward in respect of areas of interest in:		
Exploration (Block 31)	<u>22,282,954</u>	<u>15,177,137</u>

Movements in mineral exploration and evaluation expenditure during the year		
Balance at beginning of year	15,177,137	8,629,935
Expenditure incurred during the year	7,839,623	6,549,785
Foreign exchange translation	(733,806)	(2,583)
Balance at end of year	<u>22,282,954</u>	<u>15,177,137</u>

NOTE 11. OTHER FINANCIAL ASSETS

Liquidation fund	<u>158,405</u>	<u>26,868</u>
	<u>158,405</u>	<u>26,868</u>

The Group has a deposit for the purpose of a Liquidation fund in the amount of \$158,405. The deposit is to be used for land restoration when required. Under the laws of Kazakhstan, the deposit must be replenished in the amount of 1% of the annual investments.

JUPITER ENERGY LIMITED – 2010 ANNUAL REPORT

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	Consolidated	
	2010	2009
	\$	\$
NOTE 12. PAYABLES		
Trade creditors	837,002	14,532
Accrued expenses	31,400	133,646
Biskra payable	-	4,288,350
Other payables	-	39,926
	868,402	4,476,454

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through use of bank overdrafts, bank loans, finance leases and hire purchase contracts.

The contractual maturities of the Group's financial liabilities are shown in the table below. Undiscounted cash flows for the respective years are presented.

	2010	2009
	\$	\$
Within one year	868,402	188,104
After one year but not more than five years	-	-
More than five years	-	-
	868,402	188,104

Management and the Board monitor the Group's liquidity on the basis of expected cash flow. The information that is prepared by senior management and reviewed by the Board includes monthly and annual cash flow budgets.

	Consolidated	
	2010	2009
	\$	\$
NOTE 13. OTHER FINANCIAL LIABILITIES		
Biskra payable	732,369	-

The Biskra payable related to the success fee for the extension of Block 31 of US \$3,500,000 payable to Biskra Holdings Limited. During the year US\$1,525,000 was paid to Biskra holdings, leaving a balance of US\$1,975,000. On 18 May 2010, it was agreed to settle the remaining debt by the following:

- US\$320,000 cash; and
- US\$1,655,000 in shares being 28,292,769 ordinary shares in the Company at a deemed price of A\$0.065.

Under the agreement if the proceeds from the sale of all 28,292,769 shares sum to less than US\$1,475,000, the Company shall have an obligation to compensate Biskra for the shortfall. As at 30 June 2010, the Company has recorded a payable of A\$732,369 based on the closing share price at 30 June 2010 of A\$0.034. As at 16 September 2010 the obligation to Biskra had been settled in full.

JUPITER ENERGY LIMITED – 2010 ANNUAL REPORT

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTE 14. PROVISIONS

Current

Annual leave	39,962	-
	39,962	-

Non - current

Provision for rehabilitation	85,713	-
	85,713	-

The Group accrues provisions for the forthcoming costs of rehabilitation of the territory. On the basis of forecasts the cost of rehabilitation of the oilfield would be \$85,713.

Movements in rehabilitation provision

Carrying amount at beginning of the year	-	-
Provision for the year	85,713	-
Carrying amount at the end of year	85,713	-

JUPITER ENERGY LIMITED – 2010 ANNUAL REPORT

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTE 15. CONTRIBUTED EQUITY

	Consolidated	
	2010	2009
	\$	\$
<i>Issued Capital</i>		
Ordinary shares (a)	44,397,049	29,436,515
Share options (b)	284,198	284,198
	44,681,247	29,720,713
	Number of Shares	\$
(a) Movements in ordinary share capital:		
Balance 30 June 2008	356,796,189	29,431,395
Exercise of options	64,000	5,120
Issue of shares (*)	5,000,000	-
Balance 30 June 2009	361,860,189	29,436,515
Rights issue (1 for 1)	361,860,202	7,237,205
Issue to Indian Ocean Capital	12,500,000	587,500
Share placement at 4.5c	50,000,000	2,250,000
Share placement at 6.5c	71,707,231	4,660,971
Issue to Biskra Holdings	28,292,769	1,216,589
Cost of issue	-	(991,731)
Balance 30 June 2010	886,220,391	44,397,049

* In respect of share based payments, refer to Note 17 and 18.

(b) Movements in options

Balance 30 June 2008	335,878,000	284,198
Exercise of options	(64,000)	-
Expiry of unlisted options	(2,814,000)	-
Forfeit of unlisted options	(10,000,000)	-
Balance 30 June 2009	323,000,000	284,198
Issue of unlisted options	10,000,000	-
Expiry of listed options	(300,000,000)	-
Balance 30 June 2010	33,000,000	284,198

Terms and conditions

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15. CONTRIBUTED EQUITY (continued)

Capital risk management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital available to the entity.

In order to maintain or adjust the capital structure, the entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, enter into joint ventures or sell assets.

The entity does not have a defined share buy-back plan.

No dividends were paid in 2010 and nil are expected to be paid in 2011.

The Company is not subject to any externally imposed capital requirements.

NOTE 16. RESERVES

CONSOLIDATED

	<i>Foreign currency translation reserve</i>	<i>Share based payments reserve</i>	<i>Total</i>
	\$	\$	\$
At 30 June 2009	(749,934)	922,899	172,965
Share based payment	-	2,242,009	2,242,009
Foreign currency translation	(391,368)	-	(391,368)
At 30 June 2010	(1,141,302)	3,164,908	2,023,606

Nature and purpose of reserves

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Share based payments reserve

The employee share option plan reserve is used to record the value of equity benefits provided to eligible employees as part of their remuneration. Refer to note 17 for further details of this plan.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 17. KEY MANAGEMENT PERSONNEL

This note is to be read in conjunction with the Remuneration Report, which is included in the Directors Report on pages 11 to 14.

(b) Key management personnel compensation

	Consolidated	
	2010	2009
	\$	\$
Short-term employee benefits	1,308,950	848,707
Post-employment benefits	36,081	28,643
Termination benefits	-	-
Share-based payments	1,601,519	1,129,996
	2,946,551	2,007,346

Shareholdings

The number of shares in the Company held during the financial year by each Director and executive of Jupiter Energy Limited including their personally-related entities, are set out below.

2010	Balance 01-Jul-09	Granted as Remuneration	On Exercise of Options	Net Change Other*	Balance 30-June-10
Directors					
G A Gander	12,200,000	-	-	16,500,000	28,700,000
A R Childs	5,200,000	-	-	7,800,000	13,000,000
E Svanbayev	5,000,000	-	-	6,000,000	11,000,000
D Thorpe	-	-	-	5,300,000	5,300,000
Executives					
Keith Martens	686,560	-	-	3,451,860	4,138,420
Sergey Sinitis	-	-	-	-	-
Scott Mison	735,000	-	-	2,957,220	3,692,220

2009	Balance 01-Jul-08	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30-June-09
Directors					
G A Gander	9,500,000	-	-	2,700,000	12,200,000
A R Childs	5,200,000	-	-	-	5,200,000
E Svanbayev	-	5,000,000	-	-	5,000,000
Executives					
Ole Udsen (resigned 26 Sept 2009)	-	-	-	-	-
Keith Martens	637,011	-	-	49,549	686,560
Sergey Sinistin	-	-	-	-	-
Scott Mison	735,000	-	-	-	735,000

*relates to on-market transactions.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTE 17. KEY MANAGEMENT PERSONNEL (continued)

Option Holdings

The number of options in the Company held during the financial year by each Director of Jupiter Energy Limited and each of the specified Executives of the consolidated entity, including their personally-related entities, are set out below.

2010	Balance at beg of period 01-Jul-09	Granted as Remune- ration	Options Exercised	Net Change Other *	Balance at end of period 30-Jun-10	Not Vested & Not Exercisable	Vested & Exercisable
(i) Listed Options							
Directors							
G A Gander	13,700,000	-	-	(13,700,000)	-	-	-
A R Childs	5,000,000	-	-	(5,000,000)	-	-	-
E Svanbayev	10,000,000	-	-	(10,000,000)	-	-	-
D Thorpe	-	-	-	-	-	-	-
Executives							
Keith Martens	250,000	-	-	(250,000)	-	-	-
Sergey Sinitis	-	-	-	-	-	-	-
Scott Mison	620,000	-	-	(620,000)	-	-	-
(ii) Unlisted Options							
Directors							
G A Gander	-	-	-	-	-	-	-
A R Childs	-	5,000,000	-	-	5,000,000	5,000,000	-
E Svanbayev	-	5,000,000	-	-	5,000,000	5,000,000	-
D Thorpe	-	-	-	-	-	-	-
Executives							
Keith Martens	12,000,000	-	-	-	12,000,000	-	12,000,000
Sergey Sinistin	10,000,000	-	-	-	10,000,000	-	10,000,000
Scott Mison	1,000,000	-	-	-	1,000,000	-	1,000,000
* Relates to optins expired unexercised.							
2009	Balance at beg of period 01-Jul-08	Granted as Remune- ration	Options Exercised	Net Change Other	Balance at end of period 30-Jun-09	Not Vested & Not Exercisable	Vested & Exercisable
(iii) Listed Options							
Directors							
G A Gander	-	-	-	13,700,000	13,700,000	-	13,700,000
A R Childs	5,000,000	-	-	-	5,000,000	-	5,000,000
E Svanbayev	10,000,000	-	-	-	10,000,000	-	10,000,000
Executives							
Ole Udsen	-	-	-	-	-	-	-
(resigned 26 Sept 2009)							
Keith Martens	250,000	-	-	-	250,000	-	250,000
Sergey Sinistin	-	-	-	-	-	-	-
Scott Mison	620,000	-	-	-	620,000	-	620,000
(iv) Unlisted Options							
Directors							
G A Gander	2,000,000*	-	-	(2,000,000)	-	-	-
A R Childs	1,000,000*	-	-	(1,000,000)	-	-	-
E Svanbayev	2,000,000*	-	-	(2,000,000)	-	-	-
Executives							
Ole Udsen	10,000,000^	-	-	(10,000,000)	-	-	-
Keith Martens	12,000,000	-	-	-	12,000,000	8,166,667	3,833,333
Sergey Sinistin	10,000,000	-	-	-	10,000,000	7,500,000	2,500,000
Scott Mison	1,000,000	-	-	-	1,000,000	333,334	666,666

*options expired on 31 December 2008

^resigned on 26 September 2009, therefore options forfeited.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18. SHARE BASED PAYMENTS

Types of share based payment plans

Employee share option plan and Performance Rights Plan

Included under expenses in the income statement is \$2,242,009 (2009: \$446,246), and relates, in full, to equity-settled share-based payment transactions for employees.

Employee Share Option Plan

The Jupiter Energy Employee Share Option Plan was established whereby Jupiter Energy Limited may, at the discretion of the Jupiter Energy Limited Board, grant options over unissued shares of Jupiter Energy Limited to directors, executives, employees and consultants of the consolidated entity. The options are issued for nil consideration, will not be quoted on the ASX, cannot be transferred and are granted at the discretion of the Jupiter Energy Board. The options are issued for a term of five years. The options have a service period of 12 months attached to them before they vest.

The Employee Share Option Plan was approved by shareholders at the November 2007 Annual General Meeting.

Performance Rights Plan

The Jupiter Energy Performance Rights Plan was established whereby Jupiter Energy Limited may, at the discretion of the Jupiter Energy Limited Board, grant performance rights over unissued shares of Jupiter Energy Limited to directors, executives, employees and consultants of the consolidated entity. The rights are issued for nil consideration, will not be quoted on the ASX, cannot be transferred and are granted at the discretion of the Jupiter Energy Board. The rights are issued for a term of three years.

The Performance Rights Plan was approved by shareholders at the November 2009 Annual General Meeting.

Options

The fair value of the options are estimated at the date of grant using the Black -Scholes option pricing model.

The following table lists the inputs to the models for the year ended 30 June 2010:

Grant date	25 November 2009	25 November 2009
Share price	6.7 cents	6.7 cents
Exercise price	10.0 cents	15.0 cents
Dividend Yield	0.0%	0.0%
Expected volatility	145.0%	145.0%
Risk-free interest rate	4.8%	4.8%
Expected life	2.0 years	2.0 years
Weighted average fair value	0.0441 cents	0.0396 cents
Model used	Black-Scholes	Black-Scholes
Total amount	\$264,600	\$158,400

During the year ended 30 June 2010, no options were exercised over ordinary shares (2009: 64,000).

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 18. SHARE BASED PAYMENTS (CONT.)

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of share options issued under the ESOP.

	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	23,000,000	0.110	38,000,000	0.200
Granted	10,000,000	0.120	-	-
Forfeited	-	-	(10,000,000)	-
Exercised	-	-	-	-
Expired	-	-	(5,000,000)	-
Outstanding at year end	33,000,000	0.102	23,000,000	0.096
Exercisable at year end	23,000,000	0.090	7,000,000	0.110

Performance Rights

The fair value of the Performance Rights are estimated at the date of grant using the Black-Scholes pricing model.

The Performance Rights vest upon the following conditions being met:

Number	Vesting Conditions	Vesting Expiry Date
15,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A100 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 150,000 barrels of oil – whichever is the sooner.	31.12.2010
15,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A200 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 300,000 barrels of oil – whichever is the sooner.	31.12.2011
15,000,000	Market Capitalisation of JPR must have reached a minimum level of \$A300 million for a period of 20 consecutive trading days or JPR has achieved a cumulative production total of 500,000 barrels of oil – whichever is the sooner.	31.12.2012

The following tables lists the inputs to the models for the year ended 30 June 2010:

Grant date	25 Nov 09	25 Nov 09	25 Nov 09	9 April 10	9 April 10	9 April 10
Share price	6.7 cents	6.7 cents	6.7 cents	7.0 cents	7.0 cents	7.0 cents
Dividend Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Expected volatility	145.0%	145.0%	145.0%	145.0%	145.0%	145.0%
Risk-free interest rate	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%
Expected life	1.0 years	2.0 years	3.0 years	1.0 years	2.0 years	3.0 years
Weighted average fair value	0.05197 cents	0.05118 cents	0.05206 cents	0.05631 cents	0.05474 cents	0.05543 cents

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 19. COMMITMENTS FOR EXPENDITURE

Operating Lease Commitments

The Company has entered into a commercial lease for the corporate premises in West Perth. The current lease is due to expire on 30 September 2010, The Company has agreed to a 2 monthly rolling lease.

Non cancellable operating lease commitments contracted for (but not capitalised in the accounts) that are payable:

	2010 \$	2009 \$
- not later than one year	8,766	36,228
- later than one year but not later than five years	-	8,766
	<u>8,766</u>	<u>44,994</u>

Exploration Work Program Commitments

The Group has entered into a subsoil utilisation rights for petroleum exploration and extraction in Areas 1 and 2 in Mangistauskaya Oblast in accordance with Contract No. 2272 of the 29th of December 2006 with the Ministry of Energy and Mineral Resources of the Republic of Kazakhstan.

Exploration work program commitments contracted for (but not capitalised in the accounts) that are payable:

- not later than one year	6,656,546	7,085,100
- later than one year but not later than five years	19,852,855	28,216,100
	<u>26,509,401</u>	<u>35,301,200</u>

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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NOTE 20. AUDITORS REMUNERATION

	2010	2009
	\$	\$
Amounts received or due and receivable by Ernst & Young:		
- auditing or reviewing the financial report	84,108	-
- other services	20,600	-
Amounts received or due and receivable by practices not related to Ernst & Young:		
- auditing or reviewing the financial report	-	52,950
- other services	-	-
	104,708	52,950

Consolidated

	2010	2009
NOTE 21. EARNINGS PER SHARE		
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	671,633,367	361,557,991

Diluted earnings per share have not been disclosed as it is the same as the basic earnings per share.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22. SEGMENT REPORTING

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are used by the chief operating decision makers in assessing performance and determining the allocation of resources.

The Group has identified that it has one operating segments being related to the activities in Kazakhstan, on the basis that the operations in Australia relate to running the Corporate Head Office only.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 1 to the accounts.

Interest revenue is derived in Australia. Non-current assets relate to capitalised exploration and evaluation expenditure located in Kazakhstan.

NOTE 23. STATEMENT OF CASHFLOWS RECONCILIATION

(a) Reconciliation of operating (loss) after income tax to net cash (used in) operating activities

	Consolidated	
	2010	2009
	\$	\$
Operating (loss) after income tax:	(5,512,070)	(2,610,253)
Add/(less) non cash items:		
Depreciation	26,609	12,570
Share based payments	2,242,009	446,246
Effect of foreign exchange translation	509,280	(390,924)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(922,697)	(9,374)
(Increase)/decrease in inventories	(87,499)	-
(Increase)/decrease in other current assets	(276,753)	85,617
(Decrease)/increase in payables	780,298	(292,830)
(Decrease)/increase in provisions	(125,675)	-
	(3,366,498)	(2,758,948)

For the purposes of the cash flow statement, cash includes cash on hand, at banks, and money market investments readily convertible to cash on hand, net of outstanding bank overdrafts.

(a) Non- cash financing and investing activities

	Consolidated	
	2010	2009
	\$	\$
Issue of shares to Biskra Holdings for finalisation fee (note 15)	1,216,589	-
Issue of shares to Indian Ocean Capital Pty Ltd (note 15)	587,500	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

- On 13 July 2010, the Company announced that as a result of an independent review of Block 31, the total resources had been upgraded to 80 million barrels of oil.
- On 13 August 2010, the Company announced that the Waterford Group would become a cornerstone investor and planned to raise \$16.67million to fund drilling of J-51 and J-52. Details of the funding package is as follows:
 - Placement of 132.9m shares at 2.7cents to raise \$3.59million
 - 2 converting loans to raise \$3.91million that will convert into 144.8million shares at 2.7cents, subject to shareholder approval in September 2010.
 - 1 for 3 non renounceable rights issue priced at 2.7cents to raise \$9.17million. The Rights Issue is fully underwritten by Waterford.
- On 18 August 2010, the Company lodged an Entitlement Issue Prospectus with ASIC. The offer was a non-renounceable entitlement issue of 1 share for every 3 shares held by shareholders registered at 5pm (WST) on 2 September 2010 at an issue price of \$0.027 to raise up to approximately \$9,172,381.
- On 16 September 2010 the obligation to Biskra was settled in full.
- On 21 September 2010, shareholders approved the following:
 - Placement of 132.9m shares to Waterford
 - Conversion of loans to 144.8m shares—98.7m shares issued to Waterford and 46.1m shares issued to Soyuzneftegas Limited
 - Share issue of 7.7m shares to Pursuit Capital Pty Ltd
- The Rights Issue closed on 22 September with \$4.16m being taken up through shareholders entitlements. As the Rights Issue was fully underwritten the balance of \$5.01m will be taken up by the underwriter.

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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

NOTE 25. INFORMATION ON PARENT ENTITY

(a) Information relating to Jupiter Energy Ltd:	2010	2009
	\$	\$
Current assets	23,454,086	12,117,658
Total assets	23,472,189	12,132,735
Current liabilities	75,384	35,032
Total liabilities	75,384	35,032
Issued capital	44,681,247	29,720,715
Retained earnings	(24,449,348)	(18,545,911)
Share based payment reserve	3,164,908	922,899
 Total shareholders' equity	 <u>23,396,807</u>	 <u>12,097,703</u>
 Profit or (loss) of the parent entity	 <u>(5,903,437)</u>	 <u>(3,355,577)</u>
Total comprehensive income / (loss) of the parent entity	(5,903,437)	(3,355,577)

Name of Entity	Country of incorporation	Equity Holding	
		2010	2009
		%	%
Jupiter Energy (Victoria) Pty Ltd	Australia	100	100
Jupiter Biofuels Pty Ltd	Australia	100	100
Jupiter Energy (Kazakhstan) Pty Ltd	Australia	100	100
Jupiter Energy Pte. Ltd	Singapore	100	100
Jupiter Energy (NWZ) Pte. Ltd	Singapore	100	100

[b] Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries
There are no guarantees entered into by the parent entity.

[c] Details of any contingent liabilities of the parent entity
There are no contingent liabilities of the parent entity as at reporting date.

[d] Details of any contractual commitments by the parent entity
There are no contractual commitments by the parent entity

Directors' Declaration

In accordance with a resolution of the directors of Jupiter Energy Limited, I state that:

- 1 In the opinion of the directors:
 - (a) the financial statements, notes and the additional disclosures included in the directors' report designated as audited, of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) Section 296 (compliance with accounting standards and Corporations Act 2001); and
 - (ii) Section 297 (gives a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and consolidated group); and
 - (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- 2 The financial statements are in compliance with International Financial Reporting Standards, as stated in note 2(b) to the financial statements.
- 3 The Directors have been given a declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

On behalf of the Board



Geoff Gander
Executive Chairman

Perth, 30 September 2010

Independent auditor's report to the members of Jupiter Energy Limited

Report on the Financial Report

We have audited the accompanying financial report of Jupiter Energy Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

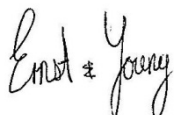
1. the financial report of Jupiter Energy Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position at 30 June 2010 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Jupiter Energy Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



R J Curtin
Partner
Perth
30 September 2010

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report is as follows.

SHAREHOLDINGS (as at 31 August 2010)

Substantial shareholders

WATERFORD PETROLEUM LIMITED	132,933,059	13.04%
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Voting Rights

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

DISTRIBUTION OF EQUITY SECURITY HOLDINGS

Category	Ordinary Shares
1 – 1,000	12,336
1,001 – 5,000	255,978
5,001 – 10,000	1,615,775
10,001 – 100,000	80,322,394
100,001 and over	936,946,966
Total	1,019,153,449

The number of shareholders holding less than a marketable parcel of ordinary shares is 530.

On-market buy back

There is no current on-market buy back.

Securities on Issue

The number of shares and options issued by the Company are set out below:

Category	Number
Ordinary Shares	1,019,153,449
Unlisted Options - \$0.08 expire 30 June 2011	20,000,000
Unlisted Options - \$0.185 expire 31 December 2012	3,000,000
Unlisted Options - \$0.10 expire 31 December 2012	6,000,000
Unlisted Options - \$0.15 expire 31 December 2012	4,000,000
Performance Shares – expire 31 December 2010	15,000,000
Performance Shares – expire 31 December 2011	15,000,000
Performance Shares – expire 31 December 2012	15,000,000

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TWENTY LARGEST SHAREHOLDERS

Name of Holder	No. of Ordinary Shares Held	% of Issued Capital
WATERFORD PETROLEUM LIMITED	132,933,059	13.04
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	37,880,563	3.72
SOYUZNEFTEGAS CAPITAL LIMITED	28,292,769	2.78
GAKS INVESTMENT HOLDINGS PTY LTD <GAKS INVESTMENT A/C>	23,027,159	2.26
VITORIA PTY LTD	21,400,000	2.10
BISKRA HOLDINGS LTD	16,000,000	1.57
MR GRAEME JOHN CLATWORTHY <G CLATWORTHY FAMILY A/C>	16,000,000	1.57
SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY SUPERFUND A/C>	12,000,000	1.18
MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LTD <BERNDALE A/C>	11,500,000	1.13
MR ERKIN SVANBAYEV	11,000,000	1.08
ANZ NOMINEES LIMITED <CASH INCOME A/C>	10,635,275	1.04
CITICORP NOMINEES PTY LIMITED	10,522,710	1.03
MR ANDREW ROSS CHILDS	10,400,000	1.02
CS FOURTH NOMINEES PTY LTD <UNPAID A/C>	8,839,925	0.87
MR ALAN GEORGE BROOKS + MS PHILIPPA CLAIRE BROOKS <AG & PC BROOKS S/FUND A/C>	8,000,000	0.78
CAPERANGE INVESTMENTS PTY LTD <SOUTHBANK EQUITY S/F A/C>	8,000,000	0.78
MR GEOFFREY ANTHONY GANDER <THE GANDER SUPER A/C>	6,000,000	0.59
GLENNBROWN PTY LTD <G BROWN FAMILY ACCOUNT>	6,000,000	0.59
MR GUISEPPE JOHN MARANO + MRS CHESIA MARANO <GJ MARANO S/F A/C>	5,993,990	0.59
NATIONAL NOMINEES LIMITED	5,587,282	0.55
 Total	 390,012,732	 38.27%